

1916

Uniform system of accounts for telephone companies embracing classification of accounts, Bookkeeping system and detention of records

South Dakota. State Board of Railroad Commissioners

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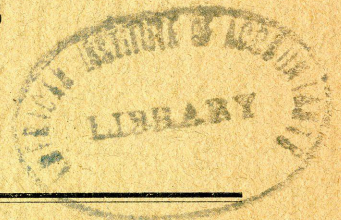
UNIFORM SYSTEM
OF
ACCOUNTS
FOR
Telephone Companies

EMBRACING
Classification of Accounts; Book-
keeping System and Deten-
tion of Records

State of South Dakota

Prepared By
STATE BOARD OF RAILROAD
COMMISSIONERS

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**BEFORE THE BOARD OF RAILROAD COMMISSIONERS OF THE
STATE OF SOUTH DAKOTA**

in the matter of the investigation into and the establishing of accounting rules and forms for telephone companies.	}	Order No 311
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Pursuant to the provisions of the statute conferring jurisdiction upon this board to prescribe methods of accounting and forms for the use of telephone companies doing business in this state, the subjoined accounting circular is adopted and approved to become effective as of April 30, 1916. Each telephone company doing business in this state is hereby commanded and required to keep its accounts in strict conformity with these accounting rules. Let the original of said accounting circular be filed in the office of this board and copies thereof printed and distributed to the telephone companies interested for their information.

Done in regular session this 11th day of May, 1916.

(SEAL)	By Order of the Board,	H. A. USTRUD, Secretary.
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GENERAL INSTRUCTIONS

The records of telephone companies shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification of the latter, and the detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Commission.

1. TELEPHONE COMPANIES.—The system of accounts contained herein applies to all telephone companies operating in the State of South Dakota.

2. CLASSIFICATIONS OF ACCOUNTS.—The system prescribed herein contains the following general classifications of accounts:

- (a) Balance-sheet accounts.
- (b) Plant and equipment accounts.
- (c) Income accounts.
- (d) Operating revenue accounts.
- (e) Operating expense accounts.

3. SEPARATION OF EXCHANGE AND TOLL SYSTEMS.—If a company operates two or more exchange systems or toll systems, the accounts for plant and equipment, operating revenues, and operating expenses shall be kept separately. It is required that companies keep separate sets of accounts for each exchange or toll system.

By an EXCHANGE is meant the property devoted to telephone service within an area within which local service is furnished. Accounts for each exchange shall be further divided to show:

- (a) EXCHANGE LINES, CITY OR TOWN.
- (b) EXCHANGE LINES, RURAL.
 - a. EXCHANGE LINES, CITY OR TOWN.—Is intended to include the property devoted to subscribers within the limits of a city or town having direct connection with switch board who are classified as city or town subscribers.
 - b. EXCHANGE LINES, RURAL.—Is intended to include property of an exchange devoted to subscribers located on rural lines; property owned by a person, firm, or association not operating an exchange and commonly termed farm lines. The connection at back of exchange switch board will be considered the terminus for all rural lines.

- c. CLASSIFICATION.—For the purpose of this Classification these lines will hereinafter be termed (a) EXCHANGE LINES and (b) RURAL LINES.

By a TOLL SYSTEM is meant the property devoted to the operation of long distance or toll lines which connect different exchanges.

4. BALANCE SHEET DEFINED.—The balance sheet is a statement of the assets, liabilities, and surplus or deficit of a business at a given time. It contains a statement of the ledger balances after the accounts covering the revenues, expenses, and other income items have been closed into "Surplus."

5. PLANT AND EQUIPMENT ACCOUNTS DEFINED.—The Plant and Equipment Accounts, sometimes termed FIXED CAPITAL or CONSTRUCTION ACCOUNTS, are the accounts which show the investment in property, both tangible and intangible, used in the telephone operations and in operations incident thereto. Ten primary plant and equipment accounts (Nos. 200 to 290) are provided. The investment in plant and equipment shall be distributed over these accounts in accordance with the texts of the accounts.

6. INCOME ACCOUNTS DEFINED.—The INCOME ACCOUNTS are the accounts which show the amounts of money that the company has received or becomes entitled to receive for services rendered during a given period, the return accruing during the period upon investments, and the disbursements and obligations incurred that affect the disposition of the amounts so received or accrued.

The balance in these accounts shall be drawn together annually in a ledger account or in a statement form which will give the net income (or net loss) for the year. This balance shall then be transferred to the account "Surplus," which shows the accumulated undivided profit (or deficit) of the company.

7. OPERATING REVENUES DEFINED.—By OPERATING REVENUES are meant all moneys which the company receives or becomes entitled to receive for telephone service and for services incident thereto. Credits to the revenue accounts shall be based upon the gross charges made for the service rendered by the company. The totals of the primary operating revenue accounts shall be transferred annually to the Income Account under title of account No. 300, "Telephone operating revenues."

8. OPERATING EXPENSES DEFINED.—By OPERATING EXPENSES are meant the expenses of maintaining the property devoted to telephone operations, the expenses of conducting the telephone operations and services incident thereto, the expenses of collecting revenues and of accounting, and the general and supervisory expenses in connection with the foregoing. The totals of the primary

operating expense accounts shall be transferred annually to the Income Account under title of account No. 330, "Telephone operating expenses."

9. **COST OF PLANT AND EQUIPMENT.**—The term, **COST**, as used in the plant and equipment (Construction) accounts means the actual cost in money of labor and materials used in construction, the actual cost in money of property acquired after construction, or if consideration given is other than money, the actual money value of such other consideration at the time of purchase. When any property in the form of a going or completed plant is purchased, an appraisal of the property so acquired shall be made, and the different constituent elements of the plant (and equipment, if any) or other property acquired shall be appraised at their structural value; that is to say, at the estimated cost of replacement or reproduction less deterioration to the then existing conditions through wear and tear, obsolescence, and inadequacy. If the actual money value of the consideration given for the plant or other property was at the time of the acquisition in excess of such appraised value, the excess shall be charged to the account "Other Intangible Capital," and the appraised values of the constituent elements shall be charged to the appropriate Fixed Capital accounts as hereinafter designated. If the actual money value of the consideration given was not in excess of such appraised value such actual money value shall be distributed through the said accounts in proportion to the said appraised value of the constituent elements appropriate to the respective accounts. Full report of the contract of acquisition, the consideration given therefor, the determination of the actual money value of such consideration, the appraisal, and the amounts charged to the respective accounts for each plant or other such fixed capital purchased, will be required to be filed with the Board of Railroad Commissioners within sixty days after the date of acquisition. The purchaser is required to procure in connection with the acquisition of any such plant or other fixed capital all existing records, memoranda, and accounts in the possession or control of the grantor relating to the construction and improvement of such plant, and to preserve such records, memoranda, and accounts until authorized by law to destroy or otherwise dispose of them.

COST OF LABOR includes not only wages, salaries, and fees paid employees, but also personal expenses of such employees when borne by the company.

COST OF MATERIAL AND SUPPLIES consumed in construction is their cost at the places where they enter into construction, including cost of transportation and inspection.

If officers and employees of an operating company are specially assigned to construction work, and equitable proportion of their

salaries and expenses shall be charged to Plant and Equipment. No charges, however, shall be made to plant and equipment accounts for merely incidental services of officers and employees whose time is regularly devoted to the operation and maintenance of the plant.

10. PLANT AND EQUIPMENT IN SERVICE APRIL 30, 1915.—The cost or ledger value of plant and equipment on hand April 30, 1915, shall be charged to primary plant and equipment accounts Nos. 200 to 270, if such distribution can be accurately made. If not possible to make such distribution, the entire cost or ledger value, or that portion which can not be distributed, shall be charged to account No. 290, "Plant and equipment in service April 30, 1915," until such time as the distribution may be possible.

11. NEW CONSTRUCTION.—When any new plant and equipment is constructed or otherwise acquired, the cost thereof shall be charged to the various primary plant and equipment accounts (Nos. 200 to 280) in accordance with the text of the accounts.

12. RECONSTRUCTION.—RECONSTRUCTION (or extraordinary repairs) includes the following:

- (a) Restoring to an efficient or proper condition buildings, structures, or other units of property which have deteriorated.
- (b) Substituting, in order to maintain normal efficiency, new parts for old parts of continuous structures, such as pole lines, cables, wires and conduits.
- (c) Restoring the condition of property damaged by storm, flood, fire or other casualty.
- (d) Recovering salvage and removing retired or abandoned property in connection with above-mentioned work.

Reconstruction should be taken into consideration in arriving at a rate of depreciation as explained in section 16. Care should be taken to see that ordinary current repairs as defined in section 14 are not handled as reconstruction.

When plant and equipment is reconstructed and the property as reconstructed is of no greater use or capacity than was the original property the cost of reconstruction shall be treated as follows:

DEBIT —

- To account No. 185, "Depreciation reserve," the amount carried therein with respect to such property.
- To account No. 135, "Materials and supplies," the value of salvage recovered from original property.
- To accounts for operating expenses (Nos. 600, 610 or 640), the remainder of the cost of reconstruction.

CREDIT.—

To account No. 115, "Cash," or to other appropriate accounts, the cost of reconstruction.

If the property as reconstructed is more useful or of greater capacity than was the original property the cost of reconstruction shall be treated as follows:

DEBIT.—

To accounts for plant and equipment (Nos. 200 to 270), the excess cost of the property as reconstructed over the cost or ledger value of the original property.

To account No. 185, "Depreciation reserve," the amount carried therein with respect to the property reconstructed.

To account No. 135, "Materials and supplies," the value of salvage recovered from original property.

To accounts for operating expenses (Nos. 600, 610, 640), the remainder of the cost of reconstruction.

CREDIT.—

To account No. 115, "Cash," or other appropriate accounts, the cost of reconstruction.

When it is necessary substantially to reconstruct or to replace a major portion of any unit of property or any important section of a continuous structure, the cost shall be handled through the plant and equipment accounts; that is, the cost of the property removed or replaced shall be credited to the appropriate plant and equipment accounts and the new property shall be charged thereto. (See section 13, following.)

13. PLANT AND EQUIPMENT.—When any plant and equipment is destroyed, withdrawn, or otherwise retired from service for any cause, the amount at which it stood charged shall be credited to the account in which it was charged at the time of withdrawal; and the entry of such credit shall cite by name and page of book or other record the original entry of cost of property so retired. If there is no such original entry, that fact shall be stated in connection with the credit entry, and if such amount is not known, it shall be estimated, the facts upon which the estimate is based and the name of the person by whom estimated shall be shown, and the amount thus estimated to be the original charge in respect of such property withdrawn shall be credited. The cost or ledger value of the property retired shall be written off as follows:

DEBIT.—

To account No. 185. "Depreciation Reserve," the amount carried therein with respect to the property retired.

To account No. 135, "Materials and supplies," the value of salvage recovered from property.

To account No. 640, "Other maintenance expenses," the remainder of the cost or ledger value of property and the expenses of retirement. In case an important piece of property or a considerable length of line is destroyed, withdrawn, or otherwise retired and not replaced by other property, the charge for the remainder of the cost or ledger value and the expense of retirement shall be made to account No. 195, "Surplus," instead of account No. 640, "Other maintenance expenses."

CREDIT.—

To accounts for plant equipment (Nos. 200 to 290), the amounts theretofore charged to such accounts with respect to such property.

The cost of the property, if any, installed in place of that withdrawn shall be charged to plant and equipment accounts (Nos. 200 to 280).

14. REPAIRS.—The term REPAIRS as used in the texts of accounts Nos. 600, 610, and 640 includes the following:

- (a) Testing for, locating, and clearing crosses, breaks, grounds, and other line troubles, including routine work intended to prevent such troubles, as, for example, pulling up slack, tightening guys, and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus;
- (b) Replacement of minor or short-lived parts of structures, equipment, or facilities;
- (c) Replacement of minor parts of wire plant or equipment when made necessary by faulty adjustments, excessive strains, mechanical injuries, or other minor casualties;
- (d) Rearrangement and changes in location of plant (except subscribers' station equipment, for which a special account is provided), including rearrangement of circuits, re-association of party lines, re-arranging grouping of trunks and calling circuits, recross connection on distributing frames, re-running jumper wires, underlining switchboard jacks, etc., together with materials used for such purposes which do not add to the tangible value of such plant;
- (e) Recovering salvage and removing retired or abandoned property (except subscribers' station equipment) in connection with the above work.

Such repairs are not intended to be taken into account in fixing a rate of depreciation.

15. COST OF REPAIRS.—The term COST OF REPAIRS, as used in the texts of the various operating expense accounts, should

be understood to include the wages, salaries, and fees paid employees directly engaged in the work of repairs, the personal expenses of such employees when born by the company, the cost (including transportation) of materials and supplies consumed, and the expense of facilities employed in making the repairs, less the value of any salvage recovered. It includes also the cost of direct supervision, such as by foremen or superintendents of repair gangs, but does not include the salaries and expenses of general officers of the company.

16. DEPRECIATION.—Depreciation is the decline in value of tangible property and is one of the losses of the company properly chargeable to Operating Expenses. There is certain wear and tear taking place in the property which can not be covered by current repairs, and in addition the property is likely to become obsolete or inadequate so that at some future date it must be discarded for that reason and replaced. In order to provide for the expense when the property is taken out of service or replaced charges should be made to Operating Expenses to provide a reserve for such purpose. If this is not done the expense of replacing must be charged in bulk to Operating Expenses when the property is replaced, which would cause the company to show low operating expenses in years when no reconstruction takes place and high operating expenses in years when reconstruction is performed.

By providing depreciation charges the operating expenses accounts will show a record of expenses from year to year more in harmony with true conditions.

The expense of depreciation may consist of—

- (a) Losses suffered through current lessening in value from wear and tear and not covered by current repairs; for example, a switchboard may be kept in workable condition by current repairs but at some future date it may be in such condition that replacement is necessary.
- (b) Obsolescence or inadequacy resulting from age, new inventions, or public requirements; for example, substituting common battery for magneto system, automatic for manual system, or underground for overhead construction.
- (c) Losses suffered through storms, floods, and other casualties.

Charges for depreciation should be based on a rule that will evenly distribute over Operating Expenses during the life of the property the original cost (less the salvage.)

The amounts estimated to cover depreciation shall be charged to operating expense account No. 630, "Depreciation of plant and equipment," and credited to balance-sheet account No. 185. "Depreciation reserve," against which shall be charged, to the extent that such charges are covered by the reserve, the expense of recon-

struction or the cost or ledger value of property when retired. (See sections 12 and 13, pages 6 and 7.).

DEPRECIATION RESERVE FUND.—

It is required that a reserve fund for depreciation be created out of the general funds of the company for the purpose of meeting the necessary expenditures to restore the property when reconstruction becomes necessary. Assets in this fund shall consist of the following:

Investment in plant and equipment or expenditures for additions and betterments thereto.

Cost or ledger value of authorized stocks and bonds of other companies.

Cash deposits with banks.

The interest accruing on such stocks, bonds or cash deposits shall be credited to the above account.

This fund shall be carried in account No. 140—"Special Fund."

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TEXT OF BALANCE SHEET ACCOUNTS

ASSET SIDE**100. PLANT AND EQUIPMENT.**

This account shall include the cost of all property, tangible and intangible, used by the company in its telephone operation and operations incident thereto, at the date of the balance sheet.

NOTE: Separate ledger accounts shall be provided for each of the primary plant and equipment accounts (Nos. 200 to 290), and the totals of the balances of such accounts shall be carried to account No. 100 when the balance sheet is prepared.

105. OTHER PROPERTY.

This account shall include the cost of property used otherwise than in telephone operations, such as lighting, water, power, or manufacturing plants; the cost of lands and buildings not used in any of the company's operations; and similar investments.

110. SECURITIES.

This account shall include the cost or ledger value of stocks, bonds, mortgages, and other evidences of indebtedness (including notes due and payable after one year from date of issue) held by or for the company.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account shall be deducted, in order that this account shall show only the cost or ledger value of securities of other companies.

115. CASH.

This account shall include the amount of cash and other current funds on hand or on deposit in banks or with trust companies. This account shall also include special deposits of cash for payment of dividends or interest, or for other purposes.

120. NOTES RECEIVABLE.

This account shall include the cost or ledger value of all notes, drafts, and other evidences of money receivable on demand or within one year from date of issue.

125. DUE FROM SUBSCRIBERS AND AGENTS.

This account shall include amounts owing to the company by subscribers and patrons for services rendered or billed; also amounts due from agents and others authorized to collect operating revenues.

130. ACCOUNTS RECEIVABLE.

This account shall include the amounts owing to the company by corporations, firms, or individuals for miscellaneous bills (other than those covering telephone and incidental services); amounts advanced to employees or working funds; dividends declared by

others, but not collected; interest due and collectible on securities, mortgages, accounts and deposits; and other items of amounts collectible.

135. MATERIALS AND SUPPLIES.

This account shall include the balances representing the cost of materials and supplies on hand.

Charge this account with the cost of materials and supplies purchased, including transportation charges. Charge also to this account the salvage value of materials and supplies recovered from plant retired and returned to stores.

Credit this account with the value of materials and supplies when used or disposed of otherwise.

NOTE: When materials and supplies are purchased for immediate use, they need not be carried through this account, but may be charged directly to Plant and Equipment, Operating Expenses, or other accounts affected.

140. SPECIAL FUNDS.

This account shall include the amount of cash, the cost or ledger value of securities, and other assets which have been set apart and are held in depreciation funds, sinking funds, insurance funds, and other funds held for specific purposes.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account shall be deducted in order to show only the net assets in the funds other than the company's own securities.

145. PREPAYMENTS.

Charge this account with the amount of rents, taxes, insurance, directory expenses, and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other accounts with the amount applicable to the period.

150. OTHER DEBIT ACCOUNTS.

This account shall include all debits pertaining to the balance sheet and not provided for elsewhere, including debit items, the final disposition of which is uncertain. This account shall include such items as accrued income not due, discounts on capital stock, discounts on bonds, and similar items.

NOTE: The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Board of Railroad Commissioners and where necessary separate sub-accounts shall be provided.

LIABILITY SIDE

160. CAPITAL STOCK.

This account shall include the total par value of outstanding capital stock. In case of the issue of two or more classes of capital stock, such as common and preferred, a sub-account shall be provided for each class. If capital stock is paid for in installments, stock to be issued when fully paid, a sub-account entitled "Installments on capital stock" shall be provided, to which shall be credited the amounts of installments received by the company; when stock certificates are issued to stockholders the sub-account shall be charged and the appropriate capital stock sub-account shall be credited.

In stating this account on the balance-sheet statement the par value of stock held by the company in its treasury, or otherwise, shall be deducted, in order that this account shall show only the par value of stock held by the public.

NOTE: If the telephone company is not incorporated but is operated by an individual, firm, co-partnership, or association, accounts No. 160, "Capital stock," and No. 195, "Surplus" shall be omitted, and in lieu thereof an account entitled "Proprietor's account" shall be substituted.

165. FUNDED DEBT. *

This account shall include the par value of all bonds, notes, mortgages, receiver's certificates, and other evidences of indebtedness issued or assumed by the company and which are not due and payable until after one year from date of issue. In case of the issuance of two or more classes of funded debt a sub-account shall be provided for each class.

In stating this account on the balance-sheet statement the par value of funded debt issued or assumed by the company and held by it in its treasury, in sinking or other reserve funds, or otherwise, shall be deducted, in order that this account shall show only the par value of funded debt held by the public.

170. NOTES PAYABLE.

This account shall include the par value of all notes, drafts, and other evidences of indebtedness issued or assumed by the company, and which are payable on demand or within one year from date of issue.

175. ACCOUNTS PAYABLE.

This account shall include amounts owing to other companies, firms, and individuals and not includable in accounts Nos. 165 and 170. This account shall include miscellaneous bills unpaid, audited vouchers unpaid, dividends declared and unpaid, interest due and unpaid, and similar items.

180. ACCRUED LIABILITIES NOT DUE.

Credit to this account the amounts of taxes, interest, rents, and other expenses which have accrued and have been charged to operating expenses or other accounts in excess of the amounts actually paid. When the payments become due this account shall be charged and the cash or other accounts affected shall be credited.

185. DEPRECIATION RESERVE.

Credit to this account the amounts which are charged monthly or annually to the operating expense account No. 630, "Depreciation of plant and equipment," to cover the depreciation taking place in plant equipment.

Charge to this account, when any plant or equipment is reconstructed or retired, the amount heretofore credited to this account in respect of the property reconstructed or retired. (See sections 12 and 13, pages 11 and 12.)

190. OTHER CREDIT ACCOUNTS.

This account shall include all credit items pertaining to the balance sheet and not provided for elsewhere, including credit items the final disposition of which is uncertain. This account shall include such items as subscribers' deposits, service billed in advance, premiums on capital stock, premiums on bonds, and reserves other than the depreciation reserve.

NOTE: The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Board of Railroad Commissioners and where necessary separate sub-accounts shall be provided.

195. SURPLUS.

Under this head on the balance-sheet statement shall be shown the balance in the surplus account. In case this account shows a debit balance it shall be shown on the balance sheet in red ink. The surplus account is the difference between the total assets and total liabilities and shows the undivided surplus or the deficit of the company.

The net income (or loss) for the year as shown by the Income Account shall be transferred to this account. This account shall also be credited or charged with any adjustments affecting the asset and liability accounts and any miscellaneous gains or losses which are not attributable to the operations for the year as shown by the Income Account.

The entries to this account shall be shown in such detail as will clearly explain their purposes and show all significant facts involved.

NOTE: If the telephone company is not incorporated but is operated by an individual, firm, co-partnership, or association, accounts No. 160, "Capital stock," and No. 195, "Surplus," shall be omitted, and in lieu thereof an account entitled "Proprietor's account" shall be substantiated.

TEXT OF PLANT AND EQUIPMENT ACCOUNTS

GENERAL NOTE APPLICABLE TO ALL PLANT AND EQUIPMENT ACCOUNTS

Charges to plant and equipment facilities are divided into three classes:

1. Exchange Lines.
2. Rural Lines.

See paragraph 3 of General Instructions.

3. Toll Lines.

Telephone companies are required to keep a separate record of the charges to the various accounts for each class of facility. The separation of charges made to this account, covering plant or equipment used jointly for exchange and toll lines purposes, is left to the discretion of the company for the present. Vouchers, and all other records, containing a common charge, must plainly show the basis on which apportionment is made between TOLL and EXCHANGE SYSTEMS or between an EXCHANGE LINE and a RURAL LINE.

Articles of small value or of short life, or articles that are likely to be lost or stolen shall not be charged to plant and equipment accounts but shall be charged to the appropriate operating expenses accounts.

200. EXCHANGE LINES—INTANGIBLES.

Charge to this account the expense of organizing the company, the cost of franchises and patent rights, and the cost of other intangibles obtained by the company and used or useful in the operations of the company.

201. RURAL LINES—INTANGIBLES.

Charge to this account the expense of organizing the company, the cost of franchises and patent rights, and the cost of other intangibles obtained by the company and used or useful in the operations of the company.

202. TOLL LINES—INTANGIBLES.

Charge to this account the expenses of organizing the company, the cost of franchises and patent rights, and the cost of other intangibles obtained by the company and used or useful in the operations of the company.

210. EXCHANGE LINES—LAND AND BUILDINGS.

Charge to this account the cost of land (other than right-of-way) and buildings used in telephone operations and operations incident thereto, and the cost of all permanent fixtures to such buildings:

211. RURAL LINES—LAND AND BUILDINGS.

Charge to this account the cost of land (other than right-of-way) and buildings used in telephone operations and operations incident thereto, and the cost of all permanent fixtures to such buildings.

212. TOLL LINES—LAND AND BUILDINGS.

Charge to this account the cost of land (other than right-of-way) and buildings used in telephone operations and operations incident thereto, and the cost of all permanent fixtures to such buildings.

220. EXCHANGE LINES—CENTRAL OFFICE EQUIPMENT.

Charge to this account the cost of local switchboards and appurtenances, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets used in the operating and terminal rooms, and other apparatus in operating and terminal rooms; also the cost of furniture and fixtures in the operating and terminal rooms.

221. TOLL LINES—CENTRAL OFFICE EQUIPMENT.

Charge to this account the cost of toll switchboards and appurtenances, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets used in the operating and terminal rooms, and other apparatus in the operating and terminal rooms; also the cost of furniture and fixtures in the operating and terminal rooms.

230. EXCHANGE LINES—STATION EQUIPMENT.

Charge to this account the cost of equipment and apparatus on the premises of subscribers, patrons and others.

This account shall include the cost of telephone sets used by the company's employees, other than those in the operating and terminal rooms of central offices.

231. RURAL LINES—STATION EQUIPMENT.

Charge to this account the cost of equipment and apparatus on the premises of subscribers, patrons and others.

This account shall include the cost of telephone sets used by the company's employees.

232. TOLL LINES—STATION EQUIPMENT.

Charge to this account the cost of equipment and apparatus on the premises of subscribers, patrons and others.

This account shall include the cost of telephone sets used by the company's employees, other than those in the operating and terminal rooms of central offices.

240. EXCHANGE LINES.

Charge to this account the cost of wire plant between the central office and the premises of subscribers, between central offices and pay stations, and between two central offices in the same exchange area.

This account shall include the cost of right-of-way, poles, underground conduits, manholes, wires, cables and fixtures.

241. RURAL LINES.

Charge to this account the cost of wire plant between the connection at back of switchboard and the premises of subscribers.

This account shall include the cost of right of way, poles underground conduits, manholes, wires, cables and fixtures.

250. TOLL LINES.

Charge to this account the cost of wire plant used in the transmission of toll messages between offices in different exchange areas.

This account shall include the cost of right-of-way, poles, underground conduits, manholes, wires, cables and fixtures.

260. EXCHANGE LINES—GENERAL EQUIPMENT.

Charge to this account the cost of automobiles, wagons, horses, shop machinery, tools and implements, office furniture and fixtures (other than in operating rooms and terminal rooms), and other equipment of the company not covered by accounts Nos. 220 and 230.

261. RURAL LINES—GENERAL EQUIPMENT.

Charge to this account the cost of automobiles, wagons, horses, shop machinery, tools and implements, office furniture and fixtures and other equipment of the company not covered by accounts Nos. 220 and 230.

262. TOLL LINES—GENERAL EQUIPMENT.

Charge to this account the cost of automobiles, wagone, horses, shop machinery, tools and implements, office furniture and fixtures (other than in operating rooms and terminal rooms), and other equipment of the company not covered by accounts Nos. 220 and 230.

270. UNDISTRIBUTED CONSTRUCTION EXPENDITURES.

Charge to this account expenditures made in the construction or acquisition of plant and equipment when such expenditures can not be assigned to any of the accounts Nos. 200 to 262.

This account includes expenditures made during the construction period for engineering and law expenses, taxes, insurance, interest, and other incidental construction items which can not properly be charged to any other plant and equipment account. When any such expenditure can be assigned to any specific item of plant or equipment it shall be charged to the account appropriate for such specific item.

280. PLANT AND EQUIPMENT PURCHASED.

When a going or completed telephone plant is purchased or constructed under contract, the cost thereof shall be charged to this account until such time as a basis may be determined upon for distribution of the cost over accounts Nos. 200 to 270.

290. PLANT AND EQUIPMENT IN SERVICE APRIL 30, 1915.

To this account shall be charged the amounts carried in the company's books on April 30, 1915, representing the plant and equipment installed prior to and in service on that date, until such time as it is possible to distribute such amounts over accounts Nos. 200 to 270.

INCOME ACCOUNTS

300. TELEPHONE OPERATING REVENUES.

This account shall include the total operating revenues derived from the telephone operations for the year. To this account shall be credited the total of amounts carried in the primary operating revenue accounts (Nos. 500 to 540).

310. OTHER OPERATING REVENUES.

If the company conducts operations other than telephone operations, such as lighting, water, power, or manufacturing plants, the revenues accruing from such operations shall be credited to this account. This account includes the revenues from property the investment in which is carried in account No. 105, "Other property."

320. MISCELLANEOUS INCOME.

Credit to this account all revenues to the company other than those obtained through telephone or other corporations. This account shall include—

Interest receivable from others on mortgages, bonds, notes, etc.

Dividends receivable from other companies on securities owned.

Rents receivable from plant leased to others and not used in part by the company in its telephone operations, such as an entire exchange system, an important section of pole lines, etc.

Other similar items of income.

Charge to this account any expenses incurred that are directly assignable to the revenues which are credited to this account, such as expense of maintenance of plant leased to others, expense of procuring interest and dividends, and similar charges.

330. TELEPHONE OPERATING EXPENSES.

This account shall include the total operating expenses of the telephone operations for the year. To this account shall be charged the total amounts carried in the primary operating expense accounts (Nos. 600 to 680).

340. OTHER OPERATING EXPENSES.

— If the company conducts operations other than telephone operations, such as lighting, water, power, or manufacturing plants, the expense of maintenance and operation shall be charged to this account. This account includes the expenses of and taxes on property the investment in which is carried in account No. 105, "Other property."

350. TAXES.

Charge this account with the amount of all taxes assessed against the telephone property, operations, or privileges of the company.

Taxes paid in advance of the period to which they apply shall be charged to account No. 145, "Prepayments," and as the term expires for which the taxes apply this account shall be charged and account No. 145 shall be credited.

Taxes accrued in advance of their actual payment shall be charged to this account and credited to account No. 180, "Accrued liabilities not due." When payments become due the latter account shall be charged and the cash or other amounts affected shall be credited.

360. INTEREST ACCRUED.

Charge to this account interest on bonds, mortgages, notes and other interest-bearing obligations, and interest on open accounts. No interest shall be charged on securities issued or assumed by the company and held by or for it.

370. MISCELLANEOUS CHARGES TO INCOME.

Charge to this account all expenses accrued or payments made which apply to the transactions of the year and which are not chargeable to Operating Expenses or to the preceding income debit accounts. This account shall include:

Rents payable for plant and equipment leased, such as an entire exchange system, an important section of pole lines, etc., but not including minor rents which are provided for in account No. 680.

Losses not properly chargeable as operating expense.

Uncollectible bills.

Other similar items.

380. DIVIDENDS DECLARED.

Charge this account with the amounts of dividends declared on outstanding capital stock of the company. If a dividend is payable in anything other than money, such thing shall be fully described in the entry. No dividends shall be charged on capital stock issued by the company and held by or for it.

TEXT OF OPERATING REVENUE ACCOUNTS

GENERAL NOTE: Applicable to operating revenue accounts:

This account includes revenues which the company received or becomes entitled to receive for telephone service, and which are to be credited to three classes of facilities; namely—

1. Exchange Line Revenues.
2. Rural Line Revenues.
3. Toll Line Revenues.

Every telephone company is required to keep its accounts and subsidiary records so that it can show the revenues accrued to each of the above facilities for each system separately.

500 EXCHANGE LINE—SUBSCRIBERS RENTALS.

Credit this account with all revenue from subscribers within the local service limits of the exchange line, which are classified as city or town, individual and party line business, and city or town individual and party line residence subscribers.

Charge to this account discount allowed to subscribers for prompt payment, corrections for overcharges, authorized refunds on account of failures in transmission, and other corrections affecting exchange line revenue.

501 EXCHANGE LINE—SWITCHING REVENUE.

Credit this account with switching service revenue from individual, farm and other rural lines, which connect directly or indirectly with the central offices for an interchange of exchange telephone service

502 EXCHANGE LINE—TOLL COMMISSIONS.

Credit this account with the terminal fee or commission allowed exchanges under the Laws of South Dakota for originating or terminating a toll message. Companies owning both toll and exchange lines are required to credit each exchange with the revenue accruing for originating and terminating toll messages. This account should also be credited with revenues accruing to an exchange for switching toll messages.

503 EXCHANGE LINE—OTHER REVENUES.

Credit this account with all revenue derived from charges for extra directory insertions, installations, and cancellation charges, when billed against subscribers, rents for attachments to exchange polls, and other rents for exchange property, and all revenues for exchange telephone service from private or public pay stations within the local service limits of the exchange system, and from individuals to whom a message charge is made for exchange telephone service to which they are not entitled as subscribers.

504 RURAL LINE—SUBSCRIBERS RENTALS.

Credit this account with rentals from subscribers on rural or

farm lines; and penalty charges for non-payment of rentals on given date. Charge to this account discounts allowed to subscribers for prompt payment.

505 RURAL LINE—OTHER REVENUES.

Credit to this account all revenues received from charges for extra directory insertions, installations, and cancellation charges when billed against subscribers; rents for attachments to polls; and other rents for rural line property; and other revenues accruing from rural line operations.

510 TOLL LINE REVENUES—TOLL REVENUES.

Credit to this account all revenues derived from the transmission of messages between points in different exchange areas. This account shall include—

Proportion of revenues from interstate toll messages transmitted from points within to points without, and from points without to points within, and messages passing through the state are to be apportioned to the State of South Dakota on a mileage pro-rate basis.

Revenues from messages transmitted wholly over the company's lines between points in different exchange areas, whether from subscribers or pay stations.

Company's proportion of revenues on messages transmitted partly over the company's lines and partly over lines of other companies (sometimes termed mileage).

Charge to this account corrections of overcharges, authorized refunds on accounts of failures in transmission, and other corrections affecting toll revenue.

511 TOLL LINE REVENUES—OTHER TOLL REVENUES.

Credit to this account all revenues derived from—

Rents from toll lines leased to brokers or others, including telegraph companies.

Rents from attachments to toll poles, and other rents from toll property.

Other revenues accruing from toll-line operations.

Charge to this account any corrections affecting above revenues.

520 EXCHANGE LINES—MISCELLANEOUS REVENUES.

Credit to this account all revenues accrued from telephone operations other than those provided for in accounts No. 500, 501 and 502, "Exchange Line Revenues." This account shall include—

Revenues from messenger service.

Revenues from advertisements in directories.

Charges to telegraph companies for making collections and for other services (not transmission charges.)

Rents from property used in part in the company's telephone operations other than those provided for in account No. 503, such as rent of offices, storerooms, and teams.
 Profit on sales of materials and supplies.
 Other miscellaneous operating revenues.

521 RURAL LINES—MISCELLANEOUS REVENUE.

Credit to this account all revenues accrued from telephone operations other than those provided for in accounts No. 504, "Rural Line Revenues,"—Subscribers Rentals, and "505, Rural Line—Other Revenues." This account shall include—

Revenues from messenger service.
 Revenues from advertisements in directories.
 Charges to telegraph companies for making collections and for other services (not transmission charges).
 Rents from property used in part in the company's telephone operations other than those provided for in account Nos. 505, such as rent of offices, storerooms, and teams.
 Profit on sales of materials and supplies.
 Other miscellaneous operating revenues.

522 TOLL LINES—MISCELLANEOUS REVENUES.

Credit to this account all revenues accrued from telephone operations other than those provided for in accounts Nos. 510, 511, "Toll Revenues." This account shall include—

Revenues from messenger service.
 Revenues from advertisements in directories.
 Charges to telegraph companies for making collections and for other services (not transmission charges).
 Rents from property used in part in the company's telephone operations other than those provided for in account 510 and 511, such as rent of offices, storerooms, and teams.
 Profit on sales of materials and supplies.
 Other miscellaneous operating revenues.

530 EXCHANGE LINE—LICENSEE REVENUE CR.

When a telephone company grants to another telephone company the use of its patents or furnishes instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be credited by the licensor in this account.

531 RURAL LINE—LICENSEE REVENUE CR.

When a telephone company grants to another telephone company the use of its patents or furnishes instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be credited by the licensor in this account.

532 TOLL LINE—LICENSEE REVENUE CR.

When a telephone company grants to another telephone company the use of its patents or furnishes instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be credited by the licensor in this account.

540 EXCHANGE LINE—LICENSEE REVENUE DR.

When a telephone company is granted by another telephone company the use of its patents, or is furnished instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be charged by the licensee in this account.

541 RURAL LINE—LICENSEE REVENUE DR.

When a telephone company is granted by another telephone company the use of its patents, or is furnished instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be charged by the licensee in this account.

542 TOLL LINE—LICENSEE REVENUE DR.

When a telephone company is granted by another telephone company the use of its patents, or is furnished instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be charged by the licensee in this account.

TEXT OF OPERATING EXPENSE ACCOUNTS

GENERAL NOTE: Applicable to all Operating Expense Accounts—
Charges to Operating Expense Accounts are divided into three classes of telephone facilities, viz:

- | | | |
|--|---|---|
| <ol style="list-style-type: none"> 1. Exchange Lines 2. Rural Lines 3. Toll Lines | } | See Paragraph 3 of General Instructions |
|--|---|---|

Telephone companies are required to keep a separate record of operating expense charges applicable to each class of facility. The separation between Exchange Lines and Toll Lines for facilities used jointly is left to the discretion of the company for the present. Vouchers, journal entries, and all other records, containing a common charge, must plainly show the basis on which apportionment is made between TOLL and EXCHANGE SYSTEMS, also the basis used in apportioning a common charge between an EXCHANGE and RURAL LINES.

600 REPAIRS OF EXCHANGE WIRE PLANT.

Charge to this account the cost of repairs of all exchange wire plant such as poles, conduits, manholes, wires, cables, and fixtures. (See section 14, page 8.)

601 REPAIRS OF RURAL WIRE PLANT.

Charge to this account the cost of repairs of all rural wire plant such as poles, conduits, manholes, wires, cables and fixtures. (See section 14, page 8.)

602 REPAIRS OF TOLL WIRE PLANT.

Charge to this account the cost of repairs of all wire plant, such as poles, conduits, manholes, wires, cables, and fixtures. (See section 14, page 8.)

610. REPAIRS OF EXCHANGE EQUIPMENT.

Charge to this account the cost of repairs of central office equipment and station equipment, whether in the central office operating rooms and terminal rooms or on subscribers' premises, such as switchboards, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets, private branch exchanges, and booths and fixtures; also furniture and fixtures in central office operating and terminal rooms. (See section 14, page 8.)

611 REPAIRS OF RURAL EQUIPMENT.

Charge to this account the cost of repairs and station equipment on subscribers' premises; also booths and fixtures on rural lines.

612 REPAIRS OF TOLL EQUIPMENT.

Charge to this account the cost of repairs of central office equipment and station equipment, whether in the central office operating rooms and terminal rooms or on subscribers' premises, such as switch-

boards, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets, private branch exchanges, and booths and fixtures; also furniture and fixtures in central office operating and terminal rooms. (See section 14. page 8.)

620 REMOVALS AND CHANGES—EXCHANGE LINES.

Charge to this account the cost of removing or changing the location of station equipment. When stations are removed (not merely changed in location) the original cost of the instruments and the cost of installation (estimated if not known) shall be credited to account No. 230, "Station equipment;" the value of the instruments and other material recovered shall be charged to account No. 135, "Materials and supplies," and the cost of removing, the original installation cost, and any loss of material, such as the cost of interior wire not recovered, shall be charged to this account. When stations are changed from one location to another, charge this account with the cost of moving. Credit this account with authorized charges paid by subscribers for moves and changes.

621 REMOVALS AND CHANGES—RURAL LINES.

Charge to this account the cost of removing or changing the location of station equipment.

When stations are removed (not merely changed in location) the original cost of the instruments and the cost of installation (estimated if not known) shall be credited to account No. 230, "Station equipment;" the value of the instruments and other material recovered shall be charged to account No. 135, "Materials and supplies;" and the cost of removing, the original installation cost, and any loss of material, such as the cost of interior wire not recovered, shall be charged to this account.

When stations are changed from one location to another, charge this account with the cost of moving. Credit this account with authorized charges paid by subscribers for moves and changes.

630 DEPRECIATION—EXCHANGE FACILITIES.

Charge to this account monthly or annually the estimated amount of depreciation accruing in the plant and equipment. (See section 16, page 9.)

631 DEPRECIATION—RURAL FACILITIES.

Charge to this account monthly or annually the estimated amount of depreciation accruing in the plant and equipment. (See section 16, page 9.)

632 DEPRECIATION—TOLL FACILITIES.

Charge to this account monthly or annually the estimated amount of depreciation accruing in the plant and equipment. (See section 16, page 9.)

640 OTHER MAINTENANCE—EXCHANGE FACILITIES.

Charge to this account the cost of repairs of land, buildings and fixtures, automobiles, wagons, tools and implements, and office furniture and fixtures, also other maintenance expense not provided for in the repair accounts. (See section 14, page 8.)

When any plant or equipment is destroyed, withdrawn, or otherwise retired from service for any cause this account shall be charged with such portion of the cost or ledger value of such property (less salvage) as has not been provided for in account No. 185, "Depreciation reserve." (See section 13, page 7.)

641 OTHER MAINTENANCE—RURAL FACILITIES.

Charge to this account the cost of repairs of land, buildings and fixtures, automobiles, wagons, tools and implements, and office furniture and fixtures; also other maintenance expense not provided for in the repair accounts. See section 14, page 8.)

When any plant or equipment is destroyed, withdrawn, or otherwise retired from service for any cause this account shall be charged with such portion of the cost or ledger value of such property (less salvage) as has not been provided for in account No. 185, "Depreciation reserve." (See section 13, page 7.)

642 OTHER MAINTENANCE—TOLL FACILITIES.

Charge to this account the cost of repairs of land, buildings and fixtures, automobiles, wagons, tools and implements, and office furniture and fixtures; also other maintenance expense not provided for in the repair accounts." (See section 14, page 8.)

When any plant or equipment is destroyed, withdrawn, or otherwise retired from service for any cause this account shall be charged with such portion of the cost or ledger value of such property (less salvage) as has not been provided for in account No. 185, "Depreciation reserve." (See section 13, page 7.)

650 EXCHANGE STATIONS—OPERATORS' WAGES.

Charge to this account the pay of chief operators, supervisors, local switchboard operators, information operators, and all other operators in exchange line central offices.

651 TOLL STATIONS—OPERATORS WAGES.

Charge to this account the pay of chief operators, supervisors, and toll switchboard operators, information operators, and all other operators employed in central offices.

660 OTHER TRAFFIC EXPENSES—EXCHANGE LINES.

Charge to this account the cost of power purchased, cost of labor and supplies in operating power plant, cost of renewing batteries, pay and expenses of messengers, and other expenses in connection with the operations of central offices and public pay stations.

661 OTHER TRAFFIC EXPENSES—RURAL LINES.

Charge to this account the cost of renewing batteries, and expenses in connection with operation of switches located on rural lines.

662 OTHER TRAFFIC EXPENSES—TOLL LINES.

Charge to this account the cost of power purchased, cost of labor and supplies in operating power plant, cost of renewing batteries, pay and expenses of messengers, and other expenses in connection with the operations of central offices and public pay stations.

670 GENERAL OFFICE SALARIES—EXCHANGE LINES.

Charge to this account the salaries of general officers of the company and the salaries of other officers and employees whose salaries are not chargeable to any of the preceding expense accounts.

671. GENERAL OFFICE SALARIES—RURAL LINES.

Charge to this account the salaries of general officers of the company and the salaries of other officers and employees whose salaries are not chargeable to any of the preceding expense accounts|

672 GENERAL OFFICE SALARIES—TOLL LINES.

Charge to this account the salaries of general officers of the company and the salaries of other officers and employees whose salaries are not chargeable to any of the preceding expense accounts.

680 OTHER GENERAL EXPENSES—EXCHANGE LINES.

Charge to this account all general expenses other than general office salaries. This account shall include the cost of—

Office supplies and expenses.

Stationery and printing (including postage).

Traveling and incidental expenses of general officers and employees of general offices.

Advertising.

Preparing, printing, and distributing directories.

Pay station commissions.

Rents for general offices and central offices, pole attachments, and other minor rents, not including those paid for lease of entire telephone plants. (See account No. 370.)

Insurance.

Law Expenses.

Accidents and damages.

Other general expenses.

NOTE: The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Board of Railroad Commissioners.

681 OTHER GENERAL EXPENSES—RURAL LINES.

Charge to this account all general expenses other than general office salaries. This account shall include the cost of—

Office supplies and expenses.

Stationery and printing (including postage).

Traveling and incidental expenses of general officers and employees of general offices.

Advertising.

Preparing, printing, and distributing directories.

Rents for pole attachments, and other minor rents, not including those paid for lease of entire telephone plants. (See account No. 370.)

Insurance.

Law expenses.

Accidents and damages.

Other general expenses.

NOTE: The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Board of Railroad Commissioners.

682 OTHER GENERAL EXPENSES—TOLL LINES.

Charge to this account all general expenses other than general office salaries. This account shall include the cost of—

Office supplies and expenses.

Stationery and printing (including postage).

Traveling and incidental expenses of general officers and employees of general offices.

Advertising.

Preparing, printing, and distributing directories.

Pay station commissions.

Rents for general offices and central offices, pole attachments, and other minor rents, not including those paid for lease of entire telephone plants. (See account No. 370.)

Insurance.

Law expenses.

Accidents and damages.

Other general expenses.

NOTE: The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Board of Railroad Commissioners.

BOOKKEEPING SYSTEM

The bookkeeping system hereby described is for the use of all telephone companies operating in the state of South Dakota. The use of this system is obligatory with the following exceptions:

Companies doing an interstate business and having in use a bookkeeping system, which provides for all of the requirements called for by the forms herein prescribed; and who are making annual reports to the Interstate Commerce Commission, known as classes (a), (b), and (c) telephone companies such companies are not required to adopt this system, but are required to keep their accounts and subsidiary records so that, when requested by the commission, they can show for each EXCHANGE LINE, RURAL LINE and TOLL LINE the information called for in the uniform system of accounts.

GENERAL INSTRUCTIONS

DOUBLE ENTRY.—The double-entry method should be used in keeping the accounts of a company. The essential principle of double-entry bookkeeping is that for every debit there must be a corresponding credit. Care should be taken to distinguish between debits and credits representing assets and liabilities and those representing revenues and expenses. The former are called balance-sheet accounts, and, taken together, present a statement of the condition of a company's business at any given time. The latter cover the operations of a company and at the end of the year are closed through the income accounts into balance-sheet account No. 195, "Surplus."

ACCOUNTING FORMS

RECORD FORMS.—Printed forms of several kinds are suggested for use in keeping accounting records. The use of each form is explained separately under its proper head and model forms are given with certain entries thereon to indicate further their use. The full list of required forms is as follows:

- | | |
|------------------------------|----------------------------|
| Form 1.—General Ledger. | Form 7.—Check. |
| Form 2.—Subscriber's Ledger. | Form 8.—Subscriber's Bill. |
| Form 3.—Cash-Journal. | Form 9.—Daily Work Report. |
| Form 4.—Voucher Record. | Form 10.—Payroll. |
| Form 5.—Voucher. | Form 11.—Stock Record. |
| Form 6.—Sub-voucher. | |

The copies of the recommended forms, as given herewith in reduced size, show the headings and arrangement of columns. Italic letters to indicate specific columns are inserted to permit reference thereto in the explanatory text, but these letters form no necessary part of the forms.

The forms here described are considered necessary for proper accounting by telephone companies. These may be expanded so as to include in one form sufficient space to separate in detail charges to PLANT AND EQUIPMENT AND OPERATING EXPENSES by exchanges and classes of facilities. (See section 3, General Instructions)

It may be said, also, that the forms here suggested are merely for the accounting needs, and that other forms will be needed to show record of traffic conditions, employees' records, and other statistical information necessary to be kept by telephone companies.

GENERAL LEDGER (FORM 1).—The ledger is a general record in which items are assembled in the respective accounts to which they relate. It presents a summary of all business transactions classified under appropriate heads. For each debit made to an account in the ledger a corresponding credit should be made to some other account, and for each credit entry a corresponding debit should be made. All entries made in the general ledger should come from the cash-journal.

Ledger accounts should be provided for each of the balance-sheet accounts which may be applicable to the company's business. Where the title and definition of a balance-sheet account clearly indicate that it is a summary of other ledger accounts it is not necessary that a distinct ledger account be provided for the summary. For example, account No. 100, "Plant and Equipment," is a summary of accounts Nos. 200 to 290, inclusive; therefore, since ledger accounts are provided for accounts Nos. 200 to 290, it is not necessary to provide on the books an account for No. 100. Ledger accounts should be similarly provided for each of the plant and equipment, income, operating revenue, and operating expense accounts in so far as the business requires.

SUBSCRIBER'S LEDGER (FORM 2).—The subscriber's ledger is a book of original entry. It should contain a complete record of all revenues accruing from subscribers and other patrons for services, as well as a record of collections made.

When a telephone is installed the information called for by columns (a) to (e), and column (g) should be entered immediately. The revenue due for each month should be entered monthly in columns (i) to (k) and the total extended to column (l). At the end of the month the columns (i) to (l) should be footed and an entry should be made in the cash-journal to cover (see entry No. 2)

the total of columns (i), (j), and (k). As the collections are made they should be posted in columns (m) and (n). The total of such collections for each day, or for the period for which settlements are made with collectors, should be covered by an entry in the cash-journal. (See entry No. 3.)

If any allowances are made on account of failures in service, or for any other lawful reasons, the amount allowed in each case should be entered in column (o), "Allowances." The total of such allowances for each month should be charged by entry in the cash-journal to the revenue account (No. 500, 510, or 520) to which they relate and credited to account No. 125, "Due from subscribers and agents." (See entry No. 4.)

When service is paid for in advance the full amount of the payment should be entered in column (n), "Paid—Amount," and the balance applicable to future months should be carried forward in red ink to the next succeeding month in column (p), "Balance due." If this balance, as brought forward, is more than enough to cover the month's bill, a red-ink entry should be made of the amount due subscriber in column (l), "Total due," and a like amount carried to column (p) of the next month and so on until the pre-payment is exhausted. (See fifth item on Form 2.)

For the purpose of simplifying accounting work and separating the rental revenue between "Exchange line subscribers' rentals" and "Rural line subscribers' rentals," separate pages should be used for each class and the names of subscribers entered in alphabetical order.

Great care should be exercised in posting the subscriber's ledger, and the totals should be drawn off each month and proved. This may be done by taking off the totals as follows:

Debit balance at beginning of month (black-ink entries in column (h)	\$26.75
Exchange (column (i))	24.00
Tolls (column (j))	6.00
Miscellaneous (column (k))	1.00
<hr/>	
Total	\$57.75
Less	
Credit balance at beginning of month (total of red-ink entries in column (h) \$ 7.00	
Amount paid (column (n)).....	32.45
Allowances (column (o)).....	3.25
<hr/>	
Total	\$42.70
<hr/>	
Difference	\$15.05

The difference should equal the difference between the total debits and total credits carried forward in column (p) for the next month.

The form of subscribers ledger is designed for companies assessing and collecting revenues monthly. If revenues are assessed quarterly or by any period other than monthly the ledger may be prepared to fit the particular case.

CASH-JOURNAL (FORM 3).—The cash-journal is a combination of the cash-book and the journal and in it are recorded all the transactions which are later posted to the general ledger.

The first three columns (a, b, and c) are intended for debits and the last three columns (d, e, and f) are intended for credits. Following the principle of double-entry bookkeeping, for each debit entered in any one or all of the first three columns there should be an equal credit entry in any one or all of the last three columns.

In column (a), "Cash," should be entered the amount of all cash received. This may be done for each item of cash received, or, if a proper supplementary record is kept, it may be posted by totals. For example, if the collections as received are posted in the subscriber's ledger, the collections for the day, or other period for which settlement is made with collector, may be posted in one entry in the cash-journal.

In column (b), "Accounts payable," should be entered the amounts of checks issued in payment of vouchers, a corresponding credit entry being made in column (f), "Cash." Such items may be entered individually or by days or other periods.

In column (c), "Sundries," should be entered all other debits. This will include the debit side of adjusting entries, and other entries not covered by cash or vouchers, such as depreciation charges, accruals of taxes, accruals of interest, etc.

The column marked—/ is the posting column. In it should be entered the number of the page in the general ledger in which the item is posted, or a check mark should be made to show that nothing has been omitted, as in the case of posting from totals of columns (a, b, e, and f). In column headed "Particulars" should be entered sufficient detail to explain fully every transaction.

In column (d), "Sundries," should be entered all credits excepting those provided for by columns (e) and (f). In the usual cases these entries will be the corresponding credits for the debits entered in column (c).

In column (e), "Due from subscribers and agents" should be entered all amounts collected on accounts carried in the subscribers ledger (Form 2), corresponding debits being entered in column (a), "Cash." These items may be entered individually, but it is preferable

that they be entered daily or for some other period. For the purpose of accounting for the collections by days or other periods, stubs to the subscribers' bills or daily or periodical statements of collections may be used.

The items in columns (c) and (d) "Sundries," should be posted individually to the debit or credit of the general ledger accounts affected. They may be posted from time to time during the month, or at the end of the month.

The totals of columns (a) and (f) should be posted monthly to the debit and credit sides, respectively, of general ledger account No. 115, "Cash." The total of column (b) "Accounts payable," should be debited monthly to general ledger account No. 175, "Accounts payable." The total of column (e), "Due from subscribers and agents," should be credited monthly to general ledger account No. 125, "Due from subscribers and agents."

The entries in the cash-journal are to be made daily in the order in which they occur. The cash-journal is to be footed and closed out at the end of each month and started anew at the beginning of the next month.

If the books have not heretofore been kept by the double-entry system and if a more correct record is not at hand an appraisal should be made of all the assets and liabilities, including the plant and equipment. A statement based on the assets and liabilities should be prepared from such appraisals or records obtainable and the difference between the total assets and the total liabilities should be carried to account No. 195, "Surplus." An opening entry should be made in the cash-journal based on such statement. Entry No. 1 on the cash-journal is given as an example of such an entry.

VOUCHER RECORD (FORM 4).—Telephone companies owning and operating both exchange lines and rural lines can, if they so desire, cut off the first six columns of every alternate page, thus providing for a distribution of OPERATING EXPENSES and PLANT and EQUIPMENT for each class of facilities, or the voucher record may be expanded to meet the requirements of all facilities in use by the company. This will eliminate the operation of entering the necessary references called for in the first six columns in a separate record for each facility; also reduces the labor in balancing the totals of distribution with the total amount of vouchers drawn.

All vouchers should be entered on the voucher record in numerical order in the month in which the voucher is made, regardless of whether it is the intention to pay them during the month or at a later date.

The total amount of the voucher should be included in column "Amount of voucher" and distributed over the various columns according to the headings of the columns. Separate columns are

provided for the operating expense accounts, the plant and equipment accounts, and other accounts which may be used frequently. A miscellaneous column is provided for entries to accounts which are not often used. The voucher record should be footed monthly and an entry should be made in the cash-journal. (See entry No. 5.)

As checks are issued in payment of vouchers they should be entered in the voucher record in the column "Paid." As the total of vouchers issued will be posted through the cash-journal to the credit of account No 175, "Accounts payable," and as the total of the checks issued are debited to the same account, the balance in this account in the general ledger should show, when the postings are made, the amount of vouchers unpaid. A possible exception to the foregoing may be the amounts carried to account No. 175 when the books of the company are opened, for which amounts no vouchers may have been issued. (See entry No. 1 on Form 3.)

VOUCHER (FORM 5). Vouchers should be made to cover all expenditures of moneys. They should be prepared as soon as purchases are made or expenses are incurred. The voucher should show all the information called for on the form. In the column headed "Particulars" should be entered sufficient detail to explain fully the purpose for which the voucher is issued, excepting that where the original invoice, bill, or other supporting papers give the full information, the explanation on the voucher may be given briefly. On the back of the form, in the space provided for "Distribution," the amount of the voucher should be distributed over the accounts affected, in accordance with the System of Accounts. The printed form shows the accounts frequently used and has blank spaces for filling in with titles of other accounts.

The vouchers should be numbered consecutively, commencing with No. 1 each year, and should be filed in numerical order. The invoice, sub-vouchers, payrolls, etc., supporting the vouchers should be securely attached to and filed with the vouchers. Each voucher should have attached to it the papers supporting it or should have full information thereon.

It is not necessary that a separate voucher be made for each invoice, etc. If payment covering several invoices, etc., is to be made to a single person or company, the amounts may be combined on one voucher.

SUB-VOUCHER (FORM 6). This form is provided for taking receipts for moneys paid out in advance of the issuance of the regular voucher. It should be used to record amounts paid by foremen and workmen for meals, team hire, purchase of minor materials and supplies; for amounts paid out by exchange managers, cashiers, et. al., from petty cash funds; and like expenditures.

The sub-vouchers should be accumulated each month and vouchers (Form 5) to cover should be issued in favor of the manager, cashier, foreman, or other employee who paid out the moneys. The sub-vouchers should be attached to the vouchers as evidence of the purposes for which the moneys have been expended.

CHECK (FORM 7). The check is in the form of the usual commercial bank check. A special form may be adopted but the usual form of check will answer the purpose.

The vouchers are issued and put through the books as soon as any bill or expense accrues. Checks should be issued as the vouchers are paid. A separate check may be issued for each voucher or, when two or more vouchers are issued for the same person, one check may be issued for the total amount of the vouchers. If employees are paid by check, the requisite number of checks may be issued for the one voucher covering the payroll.

An entry covering the checks issued should be made in the cash-journal, charging account No. 175, "Accounts payable," and crediting account No. 115, "Cash." Separate entries may be made for each check, or entries may be made for the totals by days or other periods. (See entry No. 6 on Form 3.)

SUBSCRIBER'S BILL (FORM 8). This is a form of bill to be made to subscribers showing charges for exchange, toll, and other services. The subscribers ledger should be first posted and the bills prepared from the subscriber's ledger

The toll charges should be listed on the back of the bill and the total transferred to the space provided on the face of the bill. Messenger service, telegrams, and other charges may be included on the blank line on face of the bill. If desired, separate bills may be provided for exchange and for toll service.

The bill may be provided with a stub to be detached when bill is paid and used for posting, or posting may be made from the collector's or cashier's reports of collections.

DAILY WORK REPORT (FORM 9). In order to distribute properly the pay of employees which is chargeable to various facilities and accounts, and to account properly for materials and supplies used, it is necessary to keep a record of the time devoted to and the materials and supplies used on various jobs. It is especially required when an employee devotes part of his time to construction, the cost of which is chargeable to PLANT AND EQUIPMENT, and part to repair work, which is chargeable to OPERATING EXPENSES.

Form 9 is also for use in distributing properly the time and the material used between exchange lines and rural lines. Daily work reports may also be used for distributing the pay of employees on vouchers covering payrolls. (See payroll form No. 10.)

At the end of each month summary sheets shall be written up showing the amount chargeable to each facility separately by accounts covering the material and supplies shown used on work reports during the month. Full details of the material and supplies chargeable to each account must be shown, including quantity and name of article, stock price of each unit, and stock record book folio number from which price was taken. Summary sheets together with work report forms are to be attached to the journal entry, which shall be entered in the cash-journal, crediting account No. 135, "Materials and Supplies," and charging accounts benefited, as set forth in the summary sheets. (See entry No. 7 on form 3.)

PAYROLL (FORM 10). The payroll is provided for recording the salaries and wages of all employees, however, employed. This form of payroll is provided for companies making payments semi-monthly. In case payments are made by other periods the form should be amended to suit the conditions. Vouchers should be prepared to cover the total of the payrolls for each period, and the expense should be distributed to the various accounts on the voucher. The distribution may be made direct from the payroll when practicable, but if the employee's time is split up among various classes of work it will be necessary to prepare the distribution from the daily work reports (Form 9).

If payment is made by check, separate checks should be issued for each employee. If payment is made in cash, the voucher can be drawn in favor of the paymaster or cashier and one check issued in his favor for the entire amount. (See voucher No. 4 on Form 4.)

The employee's receipt for pay may be obtained on the payroll, in space provided for that purpose or a separate receipt from each employee may be taken on a sub-voucher (Form 6). If the latter plan is adopted, the sub-vouchers should be filed with the payroll and voucher.

STOCK RECORD (FORM 11).—This form is designed to keep a record of materials and supplies on hand, by quantities and values. A separate record should be kept for each commodity.

When purchases are made they should be recorded under "Received" and the unit cost of each item should be extended in column "Unit cost." When materials and supplies are recovered from plant and returned to stock they should be also entered under "Received" and the value thereof should be shown under "Cost and Unit cost." In column "Reference" should be shown the number of the voucher covering the purchase or the record covering the materials returned to stock.

At the end of each month the materials and supplies used during the month, as shown on the daily work report (Form 9) should be summarized and values based on the unit cost should be assessed for

each commodity. The total of each commodity by quantities and value should be entered on Form 11 under "Issued." There should also be entered thereunder the quantities and values of materials and supplies sold or disposed of otherwise.

As the total cost of materials and supplies purchased and those returned to stores is charged to account No. 135. "Materials and supplies," and the total value of materials and supplies used or otherwise disposed of is credited to account No. 135, the balance in account No. 135 should equal the value of the various materials and supplies on hand as shown by the stock record.

**EXPLANATION OF AND EXAMPLES SHOWING THE TREATMENT
OF CERTAIN MATTERS IN THE BOOKS
OF THE COMPANY**

DEPRECIATION.—Assuming that the ledger value of plant and equipment is \$60,000, and that a rate of depreciation of 8 per cent. per annum is determined upon, the annual charge for depreciation would be \$4,800, and the monthly charge one-twelfth or \$400. The following entry should be made monthly on the cash-journal:

630. Depreciation of plant and equipment.....	\$400
To 185. Depreciation reserve	400
For one-twelfth of estimated depreciation on plant and equipment at 8 per cent. per annum.	

The amounts credited to account No. 185, "Depreciation reserve" should remain in that account until charged out for reconstruction or for retirements of plant and equipment.

RECONSTRUCTION.—When reconstruction as defined in section 12, page 6 of the System of Accounts is performed, the cost thereof should be charged to account No. 185, "Depreciation reserve," to the extent that provision shall have been made for such expense in previous credits to the reserve.

For example, if an exchange pole line is reconstructed at a cost of \$750, with salvage recovered amounting to \$50, the cost of reconstruction should be charged as follows:

185. Depreciation reserve	\$700
135. Materials and supplies	50

The charge to the reserve is based on the assumption that depreciation has been set up on the pole line since it was originally installed.

If, however, the depreciation has not been provided for during the entire life of the pole line and it is estimated that the reserve contains \$300 on account of that property, the expense should be distributed as follows:

185. Depreciation reserve	\$300
600. Repairs of wire plant	400
135. Materials and supplies	50

If reconstruction shall not have been provided for by credits to the reserve the entire cost should be charged to the appropriate operating expense account.

RETIREMENTS OF PLANT AND EQUIPMENT.—Assuming that a switchboard originally installed at a cost of \$1,000 is retired from service, that the old switchboard is sold for \$150, and that the cost

of removing the switchboard is \$20, the entry in the cash-journal should be as follows:

185. Depreciation reserve	\$850
130. Accounts receivable (or cash)	150
To 220. Central office equipment	1,000
For switchboard in Rockville central office retired.	

A voucher should be issued covering the cost of removing (\$20) and charged to account No. 185, "Depreciation reserve." The above charges to the reserve are based on the assumption that depreciation shall have been set up on the switchboard since it was originally installed.

If, however, the depreciation has not been provided for during the entire life of the switchboard and it is estimated that the reserve contains \$340 on account of that property, the cash-journal entry should be as follows:

185. Depreciation reserve	\$ 340
640. Other maintenance expenses	510
130. Accounts receivable	150
220. Central office equipment	1,000

The voucher covering the cost of removing (\$20) should be charged to account No. 640, "Other maintenance expenses."

ACCRUALS OF TAXES, INTEREST, RENTS, ETC.—One of the principal purposes of correct accounting is to spread equitably over a period of time the expenses properly applicable to the whole period, instead of showing the entire amount of the expense in the month or year in which it is paid. This is especially desirable where the accounts are closed each month. In order to take care of such expenses, it is necessary to charge to Operating Expenses each month the proper proportion (estimated, if not known) of such expense, and to carry a corresponding amount in a balance-sheet account until the payment is made. Assuming that the taxes for the year are estimated as \$100, an entry should be made in the cash-journal monthly as follows:

350. Taxes	\$8.33
To 180. Accrued liabilities not due	8.33
To one-twelfth of estimated times for the year.	

When the taxes are paid, a voucher should be issued and charge should be made to account No. 180, "Accrued liabilities not due." (See voucher No. 5 on Form 4).

PREPAYMENTS.—When payment of expense is made in advance of the period to which it applies, it is necessary that arrangement be made for charging in each month or period the proper proportion. For instance, if an insurance premium amounting to \$240 is paid on a policy running two years into the future, the payment should be treated in the manner following:

When the premium is paid, a voucher should be issued and the whole amount charged to account No. 145, "Prepayments" (See voucher No. 6 on Form 4). Each month an entry should be made in the cash-journal as follows:

680. Other general expenses	\$10
145. To pre-payments	10
For insurance for month of January, 1915.	

At end of the period the entire amount charged to account No. 145, "Pre-payments" under this method will have been credited to that account and charged to the operating expense accounts.

PETTY CASH FUND.—It may be necessary at times to make immediate cash payments for sundry accounts prior to the issuance of the regular voucher and check. Such payments may be handled through a petty cash fund. To create such a fund, voucher for whatever amount is considered sufficient should be made in favor of the cashier or other person who is to make the payments. The amount of this voucher should be charged on the voucher record to account No. 130, "Accounts receivable" (See voucher No. 7 on Form 4) and a sub-account should be opened in the name of the cashier. This account should stand at that amount until it becomes necessary to increase the amount, when an additional voucher should be issued, or to decrease it, when an entry should be made in the cash-journal.

As moneys are paid out by the cashier, receipts should be taken on sub-voucher (Form 6) and a voucher should be put through monthly to reimburse the cashier for money disbursed during the month. This method may be used also when funds are advanced to agents, foremen, and others.

TELEPHONE INSTALLATIONS, TAKE-OUTS, AND MOVES.—It is important that the investment in plant and equipment as shown by accounts Nos. 200 to 290 be kept at the correct figures. The system of accounts contemplates that when new telephones are installed the cost of the instrument, etc., plus the cost of installation, shall be charged to account No. 230, "Station equipment." When telephones are taken out, the cost of the instrument, plus the cost of original installation, shall be credited to account No. 230, "Station equipment;" and when telephones are moved from one location to another, the cost of moving shall be charged to account No. 620, "Station removals and changes." This will insure the correctness of the plant and equipment accounts, which should include the cost of the telephones in use. When telephones are taken out it may be difficult to ascertain the original installation cost. This cost may be handled on averages, and a simple method of treatment is as follows:

Charge or credit account No. 230, "Station equipment," and credit or charge account No. 135, "Materials and supplies," with the value of all instruments installed or removed (not merely changed in location). Charge account No. 620, "Station removal and changes" with the cost of all installations and take-outs (not including value of instruments) and cost of all moves in location.

At the end of the year make an entry in the cash-journal, charging account No. 230, "Station equipment," and crediting account No. 620, "Station removals and changes" with such portion of the amount charged to account No. 620 during the year as the increase in the number of telephones in service at the end of year bears to the total number of installations, take-outs, and moves during the year.

For example, if during the year there were 200 new telephones installed, 50 taken out, and 100 moved at a total expense of \$1,125, there would be, by counting the moves as two operations—

Installations	200 operations
Take-outs	50 operations
Moves	200 operations
<hr/>	
Total	450 operations

The net increase in the number of telephones in use being 150, which is one-third of the total operations, one-third of the total expense, or \$375, should be charged to account No. 230 and credited to account No. 620 by an entry in the cash-journal at the end of the year. The method may be used only when the number of telephones in use increases from one year to the next.

ACCOUNT NO.

DEBIT.

CREDIT.

Date.	Folio.	Amount.	Date.	Folio.	Amount.

HOME TELEPHONE COMPANY
Subscribers Ledger.

Account (or telephone number. (a)	Name of subscriber (b)	Address (c)	Service (d)	Date installed (e)	Date removed (f)	Rate per month (g)	January								February									
							Balance due (h)	Exchange (i)	Toll (j)	Misc. (k)	Total due (l)	Paid		Allow- ances (o)	Balance due (p)	Exchange (q)	Toll (r)	Misc. (s)	Total due (t)	Paid		Allow- ances (w)		
												Date (m)	Amt. (n)							Date (u)	Amt. (v)			
316			Res.			2.00		2.00			2.00	1-12	2.00											
422			Bus.			2.50	3.50	2.50	.50		6.50	1-4	6.00		.50									
537			Res.			2.00		2.00			2.00			2.00										
693			"			2.00		2.00	.65	.10	2.75				.75									
782			Bus.			2.50	* 5.00	2.50	1.00		* 1.50					* 1.50								
793			2 " Pty.			1.75	4.00	1.75	1.00	.20	6.95	1-25	5.45	.50	1.00									
854			"			1.75	7.00	1.75	.50		9.25	1-6	10.00		*.75									
861			Bus.			2.50	.25	2.50	2.00	.60	5.35				5.35									
945			Res.			2.00	* 2.00	2.00																
960			Bus.			2.50	9.00	2.50	.35	.10	11.95	1-15	9.00		2.95									
981			"			2.50	3.00	2.50			5.50				5.50									
Totals							**19.75	24.00	6.00	1.00	**50.75		32.45	3.25	**15.05									

*—Figures in black face indicate entry in red ink.

**—The totals of columns (h, (l)' and (p) are net amounts or differences between the total black ink entries and the total red ink entries in the respective columns.

NOTE.—The above form is ruled for the left-hand page and covers the months January and February. The right-hand page (the reverse side of this) may be ruled to cover the months September to December, inclusive, and a short page, three months on each side, inserted to cover the months March to August, inclusive. This arrangement makes it possible to post a year's business without rewriting the name of subscribers.

HOME TELEPHONE COMPANY

Cash-Journal

DEBITS

MONTH OF JANUARY, 1915

CREDITS

Cash (a)	Accounts payable (b)	Sundries (c)	V	Particulars	Sundries (d)	Due from subscribers and agents (e)	Cash (f)
				Jan 1. (Entry No. 1.)			
				The Home Telephone Company opens these books with the following assets and liabilities:			
		18,000 00		290. Plant and equipment in service Jan. 1, '15			
		450 00		115. Cash			
		300 00		125. Due from subscribers and agents			
		500 00		135. Materials and supplies			
				Liabilities			
				160. Capital stock	16,000 00		
				170. Notes payable	750 00		
				175. Accounts payable	400 00		
				195. Surplus	2,100 00		
				(Date) (Entry No. 2.)			
		31 00		125. Due from subscribers and agents			
				To 500. Exchange line—Subscribers' rentals	24 00		
				510. Toll line revenues—Toll earnings	6 00		
				520. Miscellaneous revenues—Exchange lines	1 00		
				For revenues for month of Jan., 1915			
				(Date) (Entry No. 3.)			
32 45				115. Cash.			
				To 125. Due from subscribers and agents		32 45	
				For collections of charges for Jan., 1915			
				(Date) (Entry No. 4.)			
		2 50		500. Exchange line—Subscribers' rentals			
		65		510. Toll line revenues—Toll earnings			
		10		520. Miscellaneous revenues—Exchange lines			
				To 125. Due from subscribers and agents		3 25	
				For refunds on acct. of failures in service			
				(Date) (Entry No. 5)			
		21 00		600. Repairs of exchange wire plant			
		20 00		610. Repairs of exchange equipment			
		10 00		620. Removals and changes—Exchange stations			
		5 00		640. Other maintenance—Exchange facilities			
		35 00		650. Operators' wages—Exchange station			
		75 00		670. General office salaries—Exchange lines			
		20 00		680. Other general expenses			
		25 00		135. Materials and supplies			
		15 00		220. Central office equipment—Exchange lines			
		20 00		230. Station equipment—Exchange lines			
		11 00		240. Exchange lines			
		50 00		130. Accounts receivable			
		240 00		145. Prepayments			
		100 00		180. Accrued liabilities not due.			
				To 175. Accounts payable	647 00		
				For vouchers for month of Jan. 1915.			
				(Date) (Entry No. 6.)			
	627 00			175. Accounts payable			
				To 115. Cash			627 00
				For cash paid out Jan. 1 to Jan. 15 incl., as per check stubs			
				(Date) (Entry No. 7.)			
		20 00		230. Station equipment—Exchange lines			
		15 00		240. Exchange lines			
		10 00		600. Repairs of exchange wire plant			
		15 00		610. Repairs of exchange equipment			
				To 135. Materials and supplies	60 00		
				For material used from stock during month of January, 1915			

Date	Voucher number	In favor of—	Issued for—	Paid		Amount of voucher. Credit acct. 175. Accounts payable	Operating Expenses								
				Date	Check No.		600—Repairs of Exchange wire plant.	610—Repairs of Exchange equipment	620—Removals and changes. Exchange line.	631—Deprecia- tion, Exchange Facilities	640—Other maint. Exchange facilities	650—Operators' wages, Ex- change stations	660—Other traffic expenses, Exchange lines	670—General office salaries. Exchange lines	680—Other General ex- penses. Ex change lines
Jan. 1	1	Smith Supply Co.	Hardware	1-15	100	25.00									
1	2	George Brown	Rent of office			20.00									
1	3	Edw. Fox	Hire of teams	1-15	101	12.00	6.00								20.00
15	4	W. T. Hall, cashier	Payroll Jan. 1-15, inc.	1-15	102	200.00	15.00	20.00	10.00		5.00	35.00		75.00	
15	5	A. T. Johnson	Taxes for year 1914	1-15	103	100.00									
15	6	Nat'l. Fire Ins. Co.	Premium on insurance policy for years 1915 and 1916	1-15	104	240.00									
15	7	W. T. Hall, cash'r.		1-15	105	50.00									
Totals. *						647.00	21.00	20.00	10.00		5.00	35.00		75.00	20.00

*—See entry No. 5 in form 3.

VOUCHER RECORD.

Form 4.—Voucher Record (right page).
MONTH OF JANUARY, 1915.

Plant and Equipment									135. Materials and supplies.	185. Depreciation reserve.			Miscellaneous		
200—Intangi- bles. Exchange lines	210—Land and buildings. Ex- change lines	220—Central of- fice equipment. Exchange lines	230—Station equipment. Exchange lines.	240—Exchange lines Exchange lines	250—Toll lines	260—General equipment. Exchange lines	270—Undis- tributed con. expd.	280—P. and E. purchased					Acct. No.	Account	Amount
		15.00	20.00	6.00 5.00					25.00						
													180	Accrued liabilities not due	100.00
													145	Prepayments	240.00
													130	Accounts receivable	50.00
		15.00	20.00	11.00					25.00						390.00

HOME TELEPHONE COMPANY

VOUCHER

Voucher No.

Month of191..

Paid by Check No....

Date of Check ...191..

In Favor of

Address

.....

1

Date	Particulars	Amount

Correct:

Approved for payment:

Correct:

HOME TELEPHONE CO.

Voucher No. Month of191..

IN FAVOR OF

Amount.....

Distribution

Account	Amount
I. MAINTENANCE EXPENSES	
600. Repairs of exchange wire plant	
601. Repairs of rural wire plant	
602. Repairs of toll wire plant	
610. Repairs of exchange equipment	
611. Repairs of rural equipment	
612. Repairs of toll equipment	
620. Removals and changes—exchange sta.	
621. Removal and changes—rural stations	
631. Depreciation—exchange facilities	
632. Depreciation—rural facilities	
633. Depreciation—toll facilities	
640. Other maintenance—exchange facilities	
641. Other maintenance—rural facilities	
642. Other maintenance—toll facilities	
II. TRAFFIC EXPENSES	
650. Operators' wages—exchange station	
651. Operators' wages—toll stations	
660. Other traffic expenses—exchange lines	
661. Other traffic expenses—rural lines	
662. Other traffic expenses—toll lines	
III. GENERAL EXPENSES	
670. General office salaries—exchange lines	
671. General office salaries—rural lines	
672. General office salaries—toll lines	
680. Other general expenses—exchange lines	
681. Other general expenses—rural lines	
682. Other general expenses—toll lines	
INCOME ACCOUNTS	
310. Other operating revenues	
320. Miscellaneous income	
340. Other operating expenses	
350. Taxes	
360. Interest accrued	
370. Miscellaneous chgs. to income	
380. Dividends declared	

Distribution—(Continued)

Account	Amount
PLANT AND EQUIPMENT	
200. Exchange lines—intangibles	
201. Rural lines—intangibles	
202. Toll lines—intangibles	
210. Exchange lines—land and buildings	
211. Rural lines—land and buildings	
212. Toll lines—land and buildings	
220. Exchange lines—central office equipment	
221. Toll lines—central office equipment	
230. Exchange lines—station equipment	
231. Rural lines—station equipment	
232. Toll lines—station equipment	
240. Exchange lines	
241. Rural lines	
250. Toll lines	
260. Exchange lines—general equipment	
261. Rural lines—general equipment	
262. Toll lines—general equipment	
270. Undistributed Construction expendit.	
280. Plant and equipment purchased	
290. Plant and equipment in service April 30, 1915	
BALANCE SHEET ACCTS.	
105. Other property	
110. Securities	
135. Materials and supplies	
145. Prepayments	
150. Other debit accounts	
170. Notes payable	
180. Accrued liabilities not due	
185. Depreciation reserve	
190. Other credit accounts	
OPERATING REVENUES	
500. Exchange line—subscribers' rentals	
501. Exchange lines—switching service	
502. Exchange line toll commissions	
503. Exchange line—other revenue	
504. Rural line—subscribers' rentals	
505. Rural line—other revenues	
510. Toll line revenues—toll earnings	
511. Toll line revenues—other toll revenues	
520. Exchange line—miscellaneous revenue	
521. Rural lines—miscellaneous revenue	
522. Toll lines—miscellaneous revenue	
530. Exchange lines—licensee revenue Cr.	
531. Rural lines—licensee revenues Cr.	
532. Toll lines—licensee revenues Cr.	
540. Exchange line—licensee revenues Dr.	
541. Rural line—licensee revenues Dr.	
542. Toll lines—licensee revenues Dr.	

Correct, (Signature)	Auditor, Manager or Foreman.	Approved, ((Signature))	General Manager.	DISTRIBUTION OF CHARGES	
				Account	Amount
			Total - -		
HOME TELEPHONE COMPANY					
(Place)....., (Date)....., 191..					
To..... Dr.					
Particulars					Amount
Total - -					
Received of the HOME TELEPHONE COMPANY,					
.....Dollars, in full for above account					
(Date)..... (Signature).....					

Form 7.—Check.

55

No.....	(City).....	(State).....	(Date).....	191..
FIRST NATIONAL BANK				
Pay to the order of			\$.....
.....			Dollars.
For				
Countersigned by		HOME TELEPHONE COMPANY,		
.....		By.....		
(Title)		(Title)		

56 Form 8.—Subscriber's bill (face).

Account Telephone No.	191..								
Mr.									
TO HOME TELEPHONE COMPANY, Dr.									
<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Telephone rental for month of</td> <td style="width: 20%; text-align: right;">191....</td> </tr> <tr> <td>Toll charges, as per statement on back</td> <td style="text-align: right;">00</td> </tr> <tr> <td>Balance due on former bills</td> <td></td> </tr> <tr> <td style="text-align: right;">Total.....</td> <td></td> </tr> </table>		Telephone rental for month of	191....	Toll charges, as per statement on back	00	Balance due on former bills		Total.....	
Telephone rental for month of	191....								
Toll charges, as per statement on back	00								
Balance due on former bills									
Total.....									
Received payment, (Date).....191...									

(back.)

[illegible]

Form 9.—Work Report.

HOME TELEPHONE COMPANY
Daily Work Report

Date

Name

Work Performed			Hours
Materials	Taken out	Returned	Used
Expenses			
Other Material Recovered and Returned to Stock			

DESTRUCTION OF RECORDS OF TELEPHONE COMPANIES

List of Accounts, Records and Memoranda and periods of retention.

Description of Accounts, Etc.	Period to be Retained.
1. Ledger, general and auxiliary	Permanently
2. Journals, general and auxiliary	Permanently
3. Cash Books, general and auxiliary	Permanently
4. Trial balance sheets of general and auxiliary ledgers	Permanently
5. Journal vouchers, journal entries department bills, and supporting papers	10 years
6. Minute books	Permanently
7. Capital stock ledger	Permanently
8. Records of capital stock certificates	Permanently
9. (a) Records and memoranda showing in detail all the items pertaining to the cost or inventory of value of plant and equipment.	Permanently
(b) Records and memoranda showing in detail all the items pertaining to expenditures for plant and equipment.	Permanently
(c) Records and memoranda pertaining to depreciation, retirement and replacement of plant and equipment; also historical records of plant and equipment.	Permanently
10. Estimates and special authorities for expenditures for improvements.	Permanently
11. Deeds and other title papers	Permanently
12. Contracts and agreements	8 years after expiration
13. Insurance records: Records pertaining to the payment of insurance premiums and to insurance recoveries except as provided in item 10.	6 years

Description of Accounts, Etc.	Period to be Retained.
14. Records of Revenues: All records summarizing the debits and credits to revenues arising from settlements with agents and exchange managers and from settlements with other telephone companies.	6 years
15. Register of vouchers payable and indexes thereto.	Permanently
16. Vouchers: All vouchers or accounts payable and supporting papers, paid drafts, and cancelled checks, except as provided for in item 10	6 years
17. Pay rolls: Pay rolls including evidence and description of service performed except as provided for in item 10.	6 years
18. Distribution and summary of labor expenditures: (a) Records showing the detailed distribution of labor expenditures charged to all accounts, including memoranda and memorandum recapitulation sheets, except as provided for in item 10. (b) Work orders, job tickets, and other papers covering the application of labor, the details of which have been transcribed into other records for retention.	6 years
19. Materials and supplies: (a) Stock record of materials and supplies on hand and detail papers of inventories taken, except as provided for in item 10.	3 years
(b) Records showing the detailed distribution of expenditures for materials and supplies charged to all accounts, including memoranda and memorandum recapitulation sheets, except as provided in item 10.	6 years
(c) Work orders, job tickets, and other papers covering the application of material and supplies, the details of which have been transcribed into other records for retention.	3 years

Description of Accounts, Etc.	Period to be Retained.
20. Agents and Manager's reports: Agents and manager's reports of receipts and disbursements, monthly balance sheets, and all records kept at exchanges.	6 years
21. Tariffs and other rate authorities:	6 years after expiration
22. Reports to South Dakota Board of Railroad Commissioners: Annual financial, operating and statistical reports, file copies of, and supporting papers.	Permanently

BOARD OF RAILROAD COMMISSIONERS

—OF THE—

STATE OF SOUTH DAKOTA

TO ALL TELEPHONE COMPANIES OPERATING IN THIS STATE:

Instructions corroborating and explaining accounting rules
and forms contained in the Uniform System of
Accounts Circular effective April 30th,
1916, per order No. 311.

A COPY OF THE UNIFORM SYSTEM OF ACCOUNTS and this
PAMPHLET must be retained in the permanent files of
Telephone Companies until cancelled by
orders of this BOARD.

Board of Railroad Commissioners of the State of South Dakota

Pierre, S. D., August 18th, 1916.

To All Telephone Companies:

The following letter of instructions is sent for the purpose of assisting you in completing all of the schedules contained in the Annual Report. Numerous inaccurate and incomplete reports have been received, some indicating a lack of knowledge as to how the report should be made, and others a careless disregard of instructions or requirements of the board.

This Commission is required by law to see that reports made by all public utilities under its control are accurate and complete insofar as they apply to the business and accounts of the reporting company; an inaccurate or incomplete report, therefore, will not be accepted. To avoid the necessary expense and work in returning such reports for corrections, the following instructions have been prepared. These instructions briefly outline the proper debits and credits to each account in the order they appear in the Annual Report schedules. Full and complete details are shown in the Uniform System of Accounts sent you with Annual Report forms June 15, 1916. These instructions supplement and should be used in conjunction with the Uniform System of Accounts for filling in the information and figures called for in the various schedules of the Annual Report Form. The Uniform System of Accounts not only explains the proper charges and credits to the various accounts, but it also prescribes a bookkeeping system which must be adopted and used by all telephone companies. (See pages 34 to 59 inclusive.)

All telephone companies, regardless of kind or size, are required to complete and file this annual report. The present annual report form is arranged for use by Exchange Line, Rural Line and Toll Line companies. After the required bookkeeping system of accounts has been in use for a year, there need be no difficulty in correctly compiling annual reports, for the various schedules can be copied from the totals of the different accounts as they appear in your records.

The law requires that a schedule of all rates charged for telephone service be filed with this commission. If no schedule of rates has been filed, it should be done at once. The practice of making an assessment against subscribers to pay for the cost of operation is contrary to law and the decisions of this board and must be discontinued at once. A rental rate must be adopted and a schedule thereof filed with this Board. Such rates should be made high enough to enable the company to provide for a Depreciation Reserve Fund as required on page 10 of Uniform System of Accounts.

On May 11, 1916, this Board adopted and approved the method of accounting and forms for the use of telephone companies, and under Order No. 311 made same effective April 30, 1916. (See page 2 of Uniform System of Accounts). This accounting circular prescribes the manner in which accounts and records of telephone companies are to be handled and preserved, and, together with this pamphlet of instructions, must be kept in files for future reference.

Annual Report **GENERAL BALANCE SHEET.**
Page Schedule

4 5

In the column at left of page headed "Balance at beginning of year," enter the amount of balance in each account as shown in your records and annual report for April 30, 1915. If it is found necessary to make any corrections in the amounts as stated in 1915 report, a letter of explanation should accompany report if there is not sufficient space to allow explanation in this schedule.

In the column at right of page headed "Balance at close of year," enter the amount of balance in each account at close of year ending April 30, 1916, and in the column headed "Net change during year," show the increase (in black) and decrease (in red) compared with amounts shown for 1915.

Line Acct. **PLANT AND EQUIPMENT.**
No. No.

2 100 The amount shown in this account should be the actual cost of constructing the present plant as per your records. If the records have been destroyed or for any other reason you cannot obtain the correct cost from same, you may, for the purpose of this report, state an inventory value. A true copy of the inventory from which such value was taken must be enclosed in your annual report in which the increased value is shown. Such inventory must show by class, age, size and kind, all of the different material. For example, poles should be grouped to show the number of each different size and age of same as follows:

No.	Age	Size	Kind	Price	Amount
200	5 Yrs.	4" 20'	Cedar	85	170.00
100	8 Yrs.	4" 20'	Cedar	85	85.00

Other material to be inventoried in a like manner. It is probable that the age will in some cases have to be estimated, but it should be approximately correct.

As annual reports have been made to this Board since 1909, the record value of plant and equipment as shown in your last report should be correct; if not, the only approved way in which the value of your Plant and Equipment accounts shown in your annual report for April 30, 1915, may be increased is by an inventory value as outlined above. A copy of this inventory must be made in your Cash Journal and a copy enclosed in your annual report to this board, in which the increased valuation is shown.

Charges for plant and equipment constructed during the year must be made as prescribed in Uniform System of Accounts

Annual Report Page Schedule Line Acct. No. No. on page 5, section 9, p. 6 and 7, sections 11, 12 and 13, and pages 10 to 22 inclusive.

4 5 2 100
3 105

OTHER PROPERTY.

This account includes cost of property used otherwise than in telephone operations such as lighting, water, power, etc., and may not apply to your company.

4 110 **SECURITIES.**

See Uniform System of Accounts, p. 15.

7 115 **CASH.**

See Uniform System of Accounts, p. 15.

8 120 **NOTES RECEIVABLE.**

See Uniform System of Accounts, p. 15.

9 125 **DUE FROM SUBSCRIBERS AND AGENTS.**

This account should include amounts owing to the company by subscribers for rental service. For example, the amount of rental which the company actually earned during the year must be credited to Operating Revenues Accounts as called for on page 16 of this report. If but one-half of the revenues earned has been paid, this account should be charged with the amount uncollected. For example, suppose you had 100 subscribers at an annual rental of \$12.00 per annum; the amount your company actually earned would be \$1200.00. If but \$800.00 of this amount had been collected, the entries in the records at the close of the year should show:

4	5	9	125	Oper. Revenues — Sub-			
				scribers Rentals. See	Debit	Credit	
				page 16, line 7.		\$1200.00	
		7	115	Cash	\$ 800.00		
		9	125	Due from subscribers..	400.00		
					<hr/>	<hr/>	
					\$1200.00	\$1200.00	

In this manner the actual earnings as well as all of the assets of your company are properly and correctly stated.

10 130 **ACCOUNTS RECEIVABLE.**

See Uniform System of Accounts, p. 15.

11 135 **MATERIALS AND SUPPLIES.**

As practically all of the materials and supplies purchased by rural lines are in small quantities and the purpose for which purchased is known at the time same are paid for, it would require less work if charged to the proper account in distribution of the voucher covering payment. If the purpose for which same are purchased is not known or if a stock of material is purchased for the purpose of extending or

reconstructing your lines, same should be charged to this account and a stock record kept as outlined in Uniform System of Accounts, page 41, Stock Record (Form 11). We find that a number of balance sheets are out of balance on account of the practice of some companies of taking an inventory of the stock on hand at close of the year and showing the value of same in this account, although when purchased the cost of same had been charged to operating expenses or plant and equipment accounts. This method is entirely wrong, as it means that the value of such materials and supplies have entered into the Assets Accounts in the general balance sheet twice and into the Liability Accounts but once, and is bound to throw the general balance sheet out of balance. If charges have been made to either Operating Expenses or Plant equipment accounts for a considerable quantity which is found to be on hand at the close of the year, and the company desires to show this stock on hand, a credit should be made to the accounts originally charged at time of purchase, and the above account charged with the amount credited.

4 5 14 140 **SPECIAL FUNDS.**

See Uniform System of Accounts, p. 16. Practically the only credits which are necessary for rural lines to carry in this fund as outlined on p. 10 of Uniform System of Accounts should be:

Cash deposited in banks.

Interest on cash deposited in banks to the credit of this fund.

Investment in Plant and Equipment.

The manner in which Plant and Equipment may be carried as a credit to this fund can best be explained in the following illustration:

Supposing a company was organized and sold stock, at par value, to the amount of \$1500.00, and, after being in operation for six years, had during that time, reinvested all of its earnings in constructing additional lines, and at the end of that period its records disclosed that by good management it had, from the earnings of the plant, been able to build up a plant worth \$2500.00; and by reason of this increase in investment there was included in the corporate surplus account of the company \$1000.00, which represents the actual cash investment.

This would be sufficient evidence to the commission that the Depreciation Reserve Fund had been provided for and no cash

Annual Report Line Acct. or other deposits need be made to Special
Page Schedule No. No. Funds Account 140.

If the records and reports do not show a sufficient Corporate Surplus to equal the amount of Depreciation Reserve Account, No. 185, it is required that cash or other authorized stocks and bonds of other companies be deposited or held by the company as an asset in this account.

See p. 10, Uniform System of Accounts.

4 5 14 140

As the Uniform System of Accounts circular did not go into effect until April 30, 1916, it is not obligatory that your reports show this for 1916, but this must be provided for in future years.

15 145 **PREPAYMENTS.**

See Uniform System of Accounts, p. 16.

16 150 **OTHER DEBIT ACCOUNTS.**

See Uniform System of Accounts, p. 16. The amount included in this account for discount on capital stock should be the same as amount shown on p. 5, column (g) "Net Total Discount," line 5. Total to close of present year.

21 160 **CAPITAL STOCK.**

This account shall include the par value of all stock outstanding on date for which report is rendered. If stock was sold at a discount, the amount of discount on all stock sold must be shown in column "g", page 5, headed "Net Total Discount" (in black), "Premiums" (in red); meaning that the discount should be shown in this column in black ink, and if stock was sold for more than its par value, the amount above par value for which same was sold, or "Premium," must be shown in red ink. If the consideration received was cash, property, services or for dividends to stockholders, the amount for each must be stated in columns c to f as provided for. The discount on stock should be charged to account 150—"Other Debit Accounts."

22 165 **FUNDED DEBT.**

See Uniform System of Accounts, p. 17. The amount shown should agree with the total for column "O," page 8, Schedule 7—"Funded Debt."

24 170 **NOTES PAYABLE.**

25 175 **ACCOUNTS PAYABLE.**

25 180 **ACCRUED LIABILITIES NOT DUE.**

See Uniform System of Accounts, p. 17 and 18.

Annual Report Page	Schedule	Line No.	Acct. No.
4	5	29	185

DEPRECIATION RESERVE.

See Uniform System of Accounts, p. 18, also page 43 which gives explanations and examples showing how amounts affecting this account are to be handled. The amounts charged to operating expenses in previous reports of the company must also be included in this account. Schedule 8, page 9, is provided for the purpose of bringing forward the amounts of previous years and to show the debits and credits made during the year in this account. The balance in this schedule should agree with the amount stated on line 29 in General Balance Sheet.

30 190

OTHER CREDIT ACCOUNTS.

See Uniform System of Accounts, p. 18.

32 195

CORPORATE SURPLUS.

See Uniform System of Accounts, p. 18. Schedule 22, page 20 is provided for the purpose of bringing forward the amount of previous years deficit or surplus as shown in left hand column on line 18, if a deficit, or on line 32 if a surplus. Accounts are also provided in Schedule 22 to which should be charged or credited amounts affecting this account during the year. The balance, as stated on line 12 in schedule 22, should be the same as the amount shown on line 18, if a debit balance, or on line 32 if a credit balance.

5 6

CAPITAL STOCK.

In column "b," "Par Value," state the total par value of stock outstanding at close of year, and in columns "c" to "e" the amount of each consideration received in payment for stock sold; in column "f", par value of amount of stock issued as dividends to stockholders, and in column "g" the discount on stock sold. By "discount" is meant the difference between the par value of stock and the value of consideration received. If the consideration received was greater than the par value of stock, the amount of such premium should be shown in red ink. The total amount of discount on stock sold should be charged to Account 150, "Other Debit Accounts," page 4; and the total amount of premiums on stock sold credited to Account 190, "Other Credit Accounts," page 4.

The total on line 5, "Total to close of present year," column "b", should equal totals of columns "a" to "g" inclusive. The total of column "b"—"Par Value"—should be the same as amount stated on page 4, line 21, "Capital Stock."

5 6

On page 6 show list of all stockholders who paid cash for stock, and on page 7 a list of all stockholders to whom stock was sold or issued for other than a cash consideration. The total amount stated on these pages in columns "d," "f," "m" and "o" should equal amounts stated in column "b", line 5, page 5, and on line 21, page 4, General Balance Sheet.

8 7

FUNDED DEBT.

The total amount of column "o" in this schedule should agree with amount stated on page 4, line 22—"Funded Debt"—and the total of column "p" should agree with amount stated on page 15, "Income Account," line 16, account 360, "Interest Accrued."

9 8

DEPRECIATION RESERVE.

Under "Credit Items," line 1, bring forward the amount of balance on hand for previous year as stated on page 4, General Balance Sheet, in column at left of page headed "Balance at Beginning of year," line 29, Account 185, Depreciation Reserve. On line 3 show amount credited to this account for depreciation charged to Operating Expenses during the year, page 17, line 20.

Under "Debit Items" show amounts charged to this account on lines 1 and 2 as called for. For further instructions regarding this account see explanation on page 7 of this letter under p. 4, schedule 5, line 29, account 185, "Depreciation Reserve."

9 9

CONTRACTS AND AGREEMENTS.

The law requires that all physical connections of different telephone companies be covered by a written contract and that copies of all such contracts be filed with this commission. If your company has connections with any other company or companies, a complete list must be furnished in this schedule, and if written contracts have not been made and filed with this commission as required by law, state the fact; also arrange to execute and file contracts at once, advising with return of report what steps have been taken and date when contract will be filed.

10 11

PLANT AND EQUIPMENT PURCHASED DURING YEAR.

You are required to furnish information called for in this schedule regarding any purchase made during the year, and also to comply with the requirements set forth on page 5, section 9, of Uniform

Annual Report Line Acct. System of Accounts, pertaining to report
Page Schedule No. No. to be made to this commission within sixty
days after the date of purchase of a going
or completed telephone plant.

11 12

DETAILED PLANT AND EQUIPMENT INFORMATION.

The requirements of this schedule are self-explanatory and should be full and complete insofar as they pertain to your company.

12 10a

13

PLANT AND EQUIPMENT IN SERVICE AT BEGINNING OF YEAR.

Distribute to the various accounts in this schedule, as per instructions contained in Uniform System of Accounts, pages 5 to 8, sections 9 to 13 inclusive, and pages 19 to 22 inclusive, the record value of your plant and equipment as of April 30, 1915. The total amount on line 16, column "L" should agree with the amount stated in your annual report for April 30, 1915.

12 10b

13

CHARGES TO PLANT AND EQUIPMENT DURING THE YEAR.

Distribute to the various accounts in this schedule the amount expended during the year for new lines constructed or additional improvements made to plant or equipment as per instructions in Uniform System of Accounts on pages mentioned above. There should also be distributed in this schedule proper credits covering the cost of any plant or equipment retired, dismantled or abandoned during the year. The grand total of charges or credits during the year, line 15 in column "L", should be carried to column "m" and added to the amount in column "L", which will give the Total Plant and Equipment in service at close of the year in column "n." The total of column "n" should agree with the amount stated on p. 4, General Balance Sheet, line 2, "Plant and Equipment."

12 10b

13

For instructions regarding increasing the record amount of Plant and Equipment Account by an Inventory Value, see instructions on pages 3 and 4 of this letter covering page 4, schedule 5, line 2, Plant and Equipment Accounts.

14 13

LIST OF CONNECTING LINES.

The requirements of this schedule are self-explanatory.

15 14

INCOME ACCOUNT FOR THE YEAR.

This schedule is practically a summary of the totals of other schedules contained in this report as follows:

Annual Report Page	Line Schedule	Line No.	Acct. No.	Line No.	Act. No.		Page No.	Line No.
		2		300		Operating Revenues is Amt. shown on.....	16	22
		3		330		Operating Expenses is Amt. shown on.....	18	12
		5		310		Other Oper. Rev. is Amt. shown on.....	16	6
		6		340		Other Oper. Exp. is Amt. shown on.....	16	6

The number of the page is shown after each account on which is found the details supporting and also the amount which should be brought forward to this schedule.

On lines 19, 20 and 21 of this schedule are provided accounts to cover Appropriations of Income.

19 140 APPROPRIATIONS OF INCOME TO SPECIAL FUNDS.

There should be included in this account appropriations made during the year for Depreciation Fund or Other Funds for some specific purpose. The amount of appropriation stated in this account should be shown on page 4, General Balance Sheet, line 14, account 140, Special Funds.

15 14 20 380 DIVIDEND APPROPRIATIONS OF INCOME.

Show the amount of dividends declared on Outstanding Capital Stock of the Company.

21 APPROPRIATION OF INCOME FOR PLANT AND EQUIPMENT.

Show the amount of income appropriated during the year for expenditures made in constructing or the purchase of new lines.

23 AMOUNT TRANSFERRED TO DEBIT OR CREDIT OF SURPLUS (p. 20.)

The amount stated on this line should be transferred to p. 20, schedule 22, "Corporate Surplus or Deficit Account," and entered on line 2 if a credit, or on line 4 if a deficit.

16 15 OPERATING REVENUE ACCOUNTS.

Credit the various accounts in this schedule with the amount of revenue accrued or earned during the year only. For example, the amount stated on line 3—"Exchange Line—Subscribers' rentals"—should be the amount earned by the company for services rendered city or village subscribers during the year. The amount of rentals earned during the year and unpaid at the close of the year should be charged to Account No. 125—"Due from Subscribers and

Agents." As a further illustration, we will assume that you have had during the entire year an average of 100 subscribers, which, at \$12.00 per year, would amount to \$1200.00; also that only \$800.00 of the above earnings had been collected. The entries in your records should be made as follows:

An. Report

Pg.	Line	Name of Acct.	Debit	Credit
4	7	Cash	\$ 800.00	
4	9	Due from Subscribers & Agts.	400.00	
16	3	Exchange Revenues.		
		Subscribers Rentals		\$ 1200.00
			\$ 1200.00	\$ 1200.00

Handled in this manner, the earnings as well as the assets of your company are properly stated.

16 15

When collection is made in the following year of amounts carried in the account, "Due from Subscribers and Agents," the amount of such collections should be charged to account "Cash" and credited to the above account.

22

TOTAL OPERATING REVENUES, should be carried to page 15, "Income Account," line 2.

16 16

OTHER OPERATING REVENUES.

As defined on page 15 of Uniform System of Accounts, this schedule should include the cost of property owned by the company but not devoted to telephone service, such as electric light, power, water or manufacturing plants, the amount of revenue received and the amount of operating expenses for the year.

The total of column for account 105 should be transferred to page 4, line 3—"Other Property"—and the totals of columns for accounts 310 and 340 transferred to page 15—"Income Account for the Year," lines 5 and 6 respectively.

17 17
18

OPERATING EXPENSE ACCOUNTS.

There should be distributed to the various accounts in this table the amount expended by the company during the year properly chargeable to Operating Expenses as defined in Uniform System of Accounts, pages 29 to 33 inclusive.

Expenditures made during the year for constructing new lines or making improvements, the cost of which is properly charge-

Annual Report, Line Acct.
Page Schedule No. No.

able to Plant and Equipment accounts, must not be included in this schedule but should be properly distributed to the various plant equipment accounts on page 12 and 13, schedule 10b.

The Grand Total of Operating Expenses, page 18, line 12, should be transferred to page 15—"Income Account," line 3.

18 18

TAXES ACCRUED DURING THE YEAR.

Requirements of this schedule are self-explanatory. The total stated on line 5 should be transferred to p. 15, "Income Accounts," line 9.

18 19

MISCELLANEOUS CHARGES TO INCOME.

See Uniform System of Accounts, page 24, Account 370. The total stated on line 5 should be transferred to p. 15, "Income Account," line 10.

19 20

NUMBER OF SUBSCRIBERS.

It is important that all of the information called for in this schedule be accurately stated.

20 21

BUSINESS TRANSACTED WITH TOLL LINE COMPANIES.

The information called for in this schedule must be furnished by all exchange line companies handling toll messages. This information can be taken from toll line settlement sheets.

The total amount stated on line 17, column "w", should be transferred to p. 16, "Operating Revenue Accounts," line 12, "Commissions on Toll Messages."

20 22

CORPORATE SURPLUS OR DEFICIT ACCOUNT.

This schedule is intended to show the purposes for which appropriations and other debits have been made, also the source of increases to this account, during the year.

There should be brought forward on line 1 in this schedule the amount of Corporate Deficit (line 18) or the amount of Corporate Surplus (line 32), page 4, General Balance Sheet.

On line 2 or line 4 bring forward the amount of Credit or Debit Balance from p. 15, "Income Account for the Year," line 23.

If any appropriations of surplus were made during the year, state the amount on the proper line in debit column.

The difference between the total amount in column "c" and column "b" should be shown on line 12, "Balance Carried Forward to Credit or Debit Side of Balance

Annual Report Line Acct. Sheet," page 4 on line 18, if a deficit, and
Page Schedule No. No. on line 32 if a credit balance.

20 22

The total of columns "b" and "c" on
line 13 must be the same.

21 23

EMPLOYES AND THEIR SALARY.

The requirements of this schedule are
self-explanatory and must be correctly
stated.

22 24

IMPORTANT CHANGES DURING THE YEAR.

See instructions at top of page 22 and
give all of the information required.

The difficulty in comprehending requirements of the Annual
Report is due to the failure on the part of reporting official to follow
the accounting rules set forth in the Uniform System of Accounts.
If these rules are carefully followed and properly applied, there
should be no misunderstanding or any failure to complete the re-
port. For example, full and complete instructions regarding all of
the accounts included on page 4 of Annual Report, Schedule 5,
"Comparative General Balance Sheet," are to be found on pages 15
to 18 inclusive of the Uniform System of Accounts under "Text of
Balance Sheet Accounts." Instructions regarding accounts covered
by other schedules are shown in a like manner.

Before returning or filing Annual Report, please see that all
schedules are completed in accordance with these rules and reg-
ulations.

Yours truly,

H. A. USTRUD,
Secretary.